

Medical Cannabis Trailer Bill

Section 19300.5 of the Business and Professions Code is amended to read:

19300.5.

For purposes of this chapter, the following definitions shall apply:

(a) “Accrediting body” means a nonprofit organization that requires conformance to ISO/IEC 17025 requirements and is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement for Testing.

(b) “Applicant,” for purposes of Article 4 (commencing with Section ~~19319~~ 19320), ~~means~~ includes the following:

(1) Owner or owners of a proposed ~~facility~~ premise, including all persons or entities having ownership interest other than a security interest, lien, or encumbrance on property that will be used by the ~~facility~~ premise.

(2) If the owner is an entity, “owner” includes within the entity each person participating in the direction, control, or management of, or having a financial interest in, the proposed ~~facility~~ premise.

(3) If the applicant is a publicly traded company, “owner” means the chief executive officer or any person or entity with an aggregate ownership interest of 5 percent or more.

(c) “Batch” means a specific quantity of ~~medical cannabis or medical cannabis products that is intended to have uniform character and quality, within specified limits, and is produced according to a single manufacturing order during the same cycle of manufacture.~~ homogeneous medical cannabis or medical cannabis product and is one of the following types:

(1) “Harvest batch” means a specifically identified quantity of dried flower or trim, leaves, and other cannabis plant matter, that is uniform in strain, cultivated using the same pesticides and other agricultural chemicals, and harvested at the same time.

(2) “Manufactured cannabis batch” means either:

(A) an amount of cannabis concentrate or extract produced in one production cycle using the same extraction methods and standard operating procedures; or

(B) an amount of a type of manufactured cannabis produced in one production cycle using the same formulation and standard operating procedures.

(d) “Bureau” means the Bureau of Medical ~~Marijuana~~ Cannabis Regulation within the Department of Consumer Affairs.

(e) “Cannabinoid” or “phytocannabinoid” means a chemical compound that is unique to and derived from cannabis.

(f) “Cannabis” means all parts of the plant *Cannabis sativa* Linnaeus., *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. “Cannabis” also means the separated resin, whether crude or purified, obtained from marijuana. “Cannabis” also means marijuana as defined by Section 11018 of the Health and Safety Code as enacted by Chapter 1407 of the Statutes of 1972. “Cannabis” does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination. For the purpose of this chapter, “cannabis” does not mean “industrial hemp” as defined by Section 81000 of the Food and Agricultural Code or Section 11018.5 of the Health and Safety Code.

(g) “Cannabis concentrate” means manufactured cannabis that has undergone a process to concentrate ~~the cannabinoid~~ one or more active cannabinoids ~~ingredient~~, thereby increasing the product’s potency. Resin from granular trichomes from a cannabis plant is a concentrate for purposes of this chapter. ~~An edible medical cannabis product~~ A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

- (h) “~~Caregiver~~” or “primary caregiver” has the same meaning as that term is defined in Section 11362.7 of the Health and Safety Code.
- (i) “Certificate of accreditation” means a certificate issued by an accrediting body to a licensed testing laboratory, ~~entity, or site to be registered in the state,~~ licensed by the bureau.
- (j) “Chief” means Chief of the Bureau of Medical ~~Marijuana~~ Cannabis Regulation within the Department of Consumer Affairs.
- (k) “Commercial cannabis activity” includes cultivation, possession, manufacture, processing, storing, laboratory testing, labeling, transporting, distribution, or sale of medical cannabis or a medical cannabis product, except as set forth in Section 19319, related to qualifying patients and primary caregivers.
- (l) “Cultivation” means any activity involving the planting, growing, harvesting, drying, curing, grading, or trimming of medical cannabis.
- (m) “Delivery” means the commercial transfer of medical cannabis or medical cannabis products from a dispensary, up to an amount determined by the bureau to a primary caregiver or qualified patient as defined in Section 11362.7 of the Health and Safety Code, or a testing laboratory. “Delivery” also includes the use by a dispensary of any technology platform owned and controlled by the dispensary, or independently licensed under this chapter, that enables qualified patients or primary caregivers to arrange for or facilitate the commercial transfer by a licensed dispensary of medical cannabis or medical cannabis products.
- (n) “Dispensary” means a ~~facility~~ commercial premise licensed by the state where medical cannabis, medical cannabis products, or devices for the use of medical cannabis or medical cannabis products are offered, either individually or in any combination, for retail sale, including an establishment that delivers, pursuant to express authorization by local ordinance, medical cannabis and medical cannabis products as part of a retail sale.
- (o) “Dispensing” means any activity involving the retail sale of medical cannabis or medical cannabis products from a dispensary.
- (p) “Distribution” means the procurement, sale, and transport of medical cannabis and medical cannabis products between entities licensed pursuant to this chapter.
- (q) “Distributor” means a person licensed under this chapter to engage in the business of purchasing medical cannabis from a licensed cultivator, or medical cannabis products from a licensed manufacturer, for sale.
to a licensed dispensary.
- (r) “Dried flower” means all dead medical cannabis that has been harvested, dried, cured, or otherwise processed, excluding leaves and stems.
- (s) “Edible cannabis product” means manufactured cannabis that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 of Food and Agricultural Code. An edible medical cannabis product is not considered food as defined by Section 109935 of the Health and Safety Code or a drug as defined by Section 109925 of the Health and Safety Code.
- (t) “Fund” means the Medical ~~Marijuana~~ Cannabis Regulation and Safety Act Fund established pursuant to Section 19351.
- (u) “Identification program” means the universal identification certificate program for commercial medical cannabis activity authorized by this chapter.
- (v) “Labor peace agreement” means an agreement between a licensee and a bona fide labor organization that, at a minimum, protects the state’s proprietary interests by prohibiting labor organizations and members from engaging in picketing, work stoppages, boycotts, and any other economic interference with the applicant’s business. This agreement means that the applicant has agreed not to disrupt efforts by the bona fide labor organization to communicate with, and attempt to organize and represent, the applicant’s employees. The agreement shall provide a bona fide labor organization access at reasonable times to areas in which the applicant’s employees work, for the purpose of meeting with employees to discuss their right to representation, employment rights under state law, and terms and conditions of employment. This type

of agreement shall not mandate a particular method of election or certification of the bona fide labor organization.

(w) “Licensing authority” means the state agency responsible for the issuance, renewal, or reinstatement of the license, ~~or the state agency authorized to take disciplinary action against the license.~~

(x) “Cultivation site” means a ~~facility~~ location where medical cannabis is planted, grown, harvested, dried, cured, graded, or trimmed, or that does all or any combination of those activities, that holds a valid state license pursuant to this chapter, and that holds a valid local license or permit.

(y) “Manufacturer” means a person that conducts the production, preparation, propagation, or compounding of manufactured medical cannabis, as described in subdivision (ae), or medical cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages medical cannabis or medical cannabis products or labels or relabels its container, that holds a valid state license pursuant to this chapter, and that holds a valid local license or permit.

(z) “Testing laboratory” means a ~~facility, entity, or site in the state that offers or~~ premise licensed by the bureau to performs tests of medical cannabis or medical cannabis products and that holds a valid certificate of accreditation. ~~is both of the following:~~

~~(1) Accredited by an accrediting body that is independent from all other persons involved in the medical cannabis industry in the state.~~

~~(2) Registered with the State Department of Public Health.~~

(aa) “Transporter” means a person ~~issued~~ who holds a state license by the bureau to transport medical cannabis or medical cannabis products in an amount above a threshold determined by the bureau between ~~facilities~~ licensees that have been issued a state license pursuant to this chapter.

(ab) “Licensee” means a person issued a state license under this chapter to engage in commercial cannabis activity.

(ac) “Live plants” means living medical cannabis flowers and plants, including seeds, immature plants, and vegetative stage plants.

(ad) “Lot” means a batch, or a specifically identified portion of a batch, ~~having uniform character and quality within specified limits. In the case of medical cannabis or a medical cannabis product produced by a continuous process, “lot” means a specifically identified amount produced in a unit of time or a quantity in a manner that ensures its having uniform character and quality within specified limits.~~

(ae) “Manufactured cannabis” means raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a concentrate, an edible product, or a topical product.

(af) “Manufacturing site” means a location that produces, prepares, propagates, or compounds manufactured medical cannabis or medical cannabis products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and is owned and operated by a licensee for these activities.

(ag) “Medical cannabis,” “medical cannabis product,” or “cannabis product” means a product containing cannabis, including, but not limited to, concentrates and extractions, intended to be sold for use by medical cannabis patients in California pursuant to the Compassionate Use Act of 1996 (Proposition 215), found at Section 11362.5 of the Health and Safety Code. For the purposes of this chapter, “medical cannabis” does not include “industrial hemp” as defined by Section 81000 of the Food and Agricultural Code or Section 11018.5 of the Health and Safety Code.

(ah) “Nursery” means a licensee that produces only clones, immature plants, seeds, and other agricultural products used specifically for the planting, propagation, and cultivation of medical cannabis.

(ai) “Permit,” “local license,” or “local permit” means an official document granted by a local jurisdiction that specifically authorizes a person to conduct commercial cannabis activity in the local jurisdiction.

(aj) “Person” means an individual, firm, partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit and includes the plural as well as the singular number.

(ak) “State license,” “license,” or “registration” means a state license issued pursuant to this chapter.

- (al) "Topical cannabis" means a product intended for external use. A topical cannabis product is not considered a drug as defined by Section 109925 of the Health and Safety Code.
- (am) "Transport" means the transfer of medical cannabis or medical cannabis products from the permitted business location of one licensee to the permitted business location of another licensee, for the purposes of conducting commercial cannabis activity authorized pursuant to this chapter.
- (an) "Labeling" means any label or other written, printed, or graphic matter upon a medical cannabis product or upon its container or wrapper, or that accompanies any medical cannabis product.

Section 19300.7 of the Business and Professions Code is amended to read:

19300.7.

License classifications pursuant to this chapter are as follows:

- (a) Type 1 = Cultivation; Specialty outdoor; Small.
- (b) Type 1A = Cultivation; Specialty indoor; Small.
- (c) Type 1B = Cultivation; Specialty mixed-light; Small.
- (d) Type 2 = Cultivation; Outdoor; Small.
- (e) Type 2A = Cultivation; Indoor; Small.
- (f) Type 2B = Cultivation; Mixed-light; Small.
- (g) Type 3 = Cultivation; Outdoor; Medium.
- (h) Type 3A = Cultivation; Indoor; Medium.
- (i) Type 3B = Cultivation; Mixed-light; Medium.
- (j) Type 4 = Cultivation; Nursery.
- (k) Type 6 = Manufacturer 1.
- (l) Type 7 = Manufacturer 2.
- (m) Type 8 = Testing laboratory.
- (n) Type 10 = Dispensary; General.
- (o) Type 10A = Producing Dispensary; No more than three retail sites.
- (p) Type 11 = ~~Distribution~~-Distributor.
- (q) Type 12 = Transporter.

Section 19302 of the Business and Professions Code is amended to read:

19302

There is in the Department of Consumer Affairs the Bureau of Medical ~~Marijuana~~ Cannabis Regulation, under the supervision and control of the director. The director shall administer and enforce the provisions of this chapter related to the bureau.

Section 19302.1 of the Business and Professions Code is amended to read:

19302.1.

- (a) The Governor shall appoint a chief of the bureau, subject to confirmation by the Senate, at a salary to be fixed and determined by the director of the Department of Consumer Affairs with the approval of the Director of Finance. The chief shall serve under the direction and supervision of the director and at the pleasure of the Governor.
- (b) Every power granted to or duty imposed upon the director of the Department of Consumer Affairs under this chapter may be exercised or performed in the name of the director by a deputy or assistant director or by the chief, subject to conditions and limitations that the director may prescribe. In addition to every power granted or duty imposed with this chapter, the director shall have all other powers and duties generally applicable in relation to bureaus that are part of the Department of Consumer Affairs.
- (c) The director of the Department of Consumer Affairs may employ and appoint all employees necessary to properly administer the work of the bureau, in accordance with civil service laws and regulations.
- (d) The Department of Consumer Affairs shall have the sole authority to create, issue, renew, discipline, suspend, or revoke licenses for the transportation, storage unrelated to manufacturing activities, testing, distribution, and sale of medical ~~marijuana~~ cannabis within the state and to collect fees in connection with

activities the bureau regulates. The bureau ~~may~~ shall have the authority to create licenses in addition to those identified in this chapter that the bureau deems necessary to effectuate its duties under this chapter.

(e) The Department of Food and Agriculture shall administer the provisions of this chapter related to and associated with the cultivation of medical cannabis and will serve as lead agency for the purpose of fulfilling the California Environmental Quality Act requirements, as specified in Division 13 of the Public Resources Code. The Department of Food and Agriculture shall have the authority to create, issue, renew, discipline, and suspend or revoke ~~cultivation~~-licenses ~~for violations of this chapter.~~ for the cultivation of medical cannabis and to collect fees in connection with activities it regulates. The Department of Food and Agriculture shall have the authority to create licenses in addition to those identified in this chapter that it deems necessary to effectuate its duties under this chapter.

(f) The State Department of Public Health shall administer the provisions of this chapter related to and associated with the manufacturing ~~and testing~~ of medical cannabis. The State Department of Public Health shall have the authority to create, issue, renew, discipline, suspend or revoke licenses for the manufacturing of medical cannabis and medical cannabis products and to collect fees in connection with activities it regulates. The State Department of Public Health shall have the authority to create licenses in addition to those identified in this chapter that it deems necessary to effectuate its duties under this chapter.

Section 19303 of the Business and Professions Code is amended to read:

19303.

Protection of the public shall be the highest priority for ~~the bureau~~ all licensing authorities in exercising its licensing, regulatory, and disciplinary functions under this chapter. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

Section 19304 of the Business and Professions Code is amended to read:

19304.

The ~~bureau~~, licensing authorities shall make and prescribe ~~reasonable~~ rules and regulations as may be necessary or proper to carry out the purposes and intent of this chapter and to enable each licensing authority ~~it~~ to exercise the powers and duties conferred upon it by this chapter, not inconsistent with any statute of this state, including particularly this chapter and Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For the performance of its duties, the bureau has the power conferred by Sections 11180 to 11191, inclusive, of the Government Code.

(b) Each licensing authority may adopt emergency regulations to implement this chapter.

(1) Each licensing authority may readopt any emergency regulation authorized by this section that is the same as, or substantially equivalent to, an emergency regulation previously adopted by this section. Any such readoption shall be limited to one time for each regulation.

(2) Notwithstanding any other law, the initial adoption of emergency regulations and the readoption of emergency regulations authorized by this section shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare. The initial emergency regulations and the readopted emergency regulations authorized by this section each shall be submitted to the Office of Administrative Law for filing with the Secretary of State and shall remain in effect for no more than 180 days, by which time final regulations may be adopted.

Section 19305 of the Business and Professions Code is amended to read:

19305.

Notice of any action of ~~the~~ a licensing authority required by this chapter to be given may be signed and given by the director of the licensing authority or an authorized employee of the ~~department~~ licensing authority and may be made personally or in the manner prescribed by Section 1013 of the Code of Civil Procedure.

Section 19307 of the Business and Professions Code is amended to read:

19307.

A licensing authority may make or cause to be made such investigation as it deems necessary to carry out its duties under this chapter. Licensing authorities may work with state and local law enforcement agencies on investigations and enforcement actions pertaining to licenses.

Section 19310 of the Business and Professions Code is amended to read:

19310.

~~The department~~ A licensing authority may on its own motion at any time before a penalty assessment is placed into effect and without any further proceedings, review the penalty, but such review shall be limited to its reduction.

Section 19311 of the Business and Professions Code is amended to read:

19311.

Grounds for disciplinary action include:

- (a) Failure to comply with the provisions of this chapter or any rule or regulation adopted pursuant to this chapter.
- (b) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 3 (commencing with Section 490) of Division 1.5.
- (c) Any other grounds contained in regulations adopted by a licensing authority pursuant to this chapter.
- (d) Failure to comply with any state law, except as provided for in this chapter or other California law.
- (e) Failure to maintain safe conditions for inspection by a licensing authority.
- (f) Failure to comply with any operating procedure submitted to the licensing authority pursuant to Section 19322, subdivision (b) of the Business and Professions Code.

Section 19312 of the Business and Professions Code is amended to read:

19312.

- (a) Each licensing authority may suspend, ~~or~~ revoke, place on probation with terms and conditions, or otherwise discipline licenses issued by that licensing authority, and fine a licensee, after proper notice and hearing to the licensee, if the licensee is found to have committed any of the acts or omissions constituting grounds for disciplinary action.
- (b) The disciplinary proceedings under this chapter shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the director of each licensing authority shall have all the powers granted therein.
- (c) Each licensing authority may take disciplinary action against its respective licensees for any violation of this chapter when the violation was committed by the licensee's agent or employee while acting on behalf of the licensee or engaged in commercial cannabis activity.

Section 19313 of the Business and Professions Code is deleted:

19313.

~~Each licensing authority may take disciplinary action against a licensee for any violation of this chapter when the violation was committed by the licensee's agent or employee while acting on behalf of the licensee or engaged in commercial cannabis activity.~~

Section 19315 of the Business and Professions Code is amended to read:

19315.

- (a) Nothing in this chapter shall be interpreted to supersede or limit existing local authority for law enforcement activity, enforcement of local zoning requirements or local ordinances, or enforcement of local permit or licensing requirements.

(b) Nothing in this chapter shall be interpreted to require the ~~Department of Consumer Affairs~~ licensing authority to undertake local law enforcement responsibilities, enforce local zoning requirements, or enforce local licensing requirements.

(c) Nothing in this chapter shall be interpreted to supersede or limit state agencies from exercising their existing enforcement authority under the Fish and Game Code, the Water Code, the Food and Agricultural Code, or the Health and Safety Code.

Section 19318 of the Business and Professions Code is deleted:

19318.

~~(a) A person engaging in commercial cannabis activity without a license required by this chapter shall be subject to civil penalties of up to twice the amount of the license fee for each violation, and the court may order the destruction of medical cannabis associated with that violation in accordance with Section 11479 of the Health and Safety Code. Each day of operation shall constitute a separate violation of this section. All civil penalties imposed and collected pursuant to this section by a licensing authority shall be deposited into the Medical Cannabis Fines and Penalties Account established pursuant to Section 19351.~~

~~(b) If an action for civil penalties is brought against a licensee pursuant to this chapter by the Attorney General on behalf of the people, the penalty collected shall be deposited into the Medical Cannabis Fines and Penalties Account established pursuant to Section 19351. If the action is brought by a district attorney or county counsel, the penalty collected shall be paid to the treasurer of the county in which the judgment was entered. If the action is brought by a city attorney or city prosecutor, the penalty collected shall be paid to the treasurer of the city or city and county in which the judgment was entered. If the action is brought by a city attorney and is adjudicated in a superior court located in the unincorporated area or another city in the same county, the penalty shall be paid one half to the treasurer of the city in which the complaining attorney has jurisdiction and one half to the treasurer of the county in which the judgment is entered.~~

~~(c) Notwithstanding subdivision (a), criminal penalties shall continue to apply to an unlicensed person engaging in commercial cannabis activity in violation of this chapter, including, but not limited to, those individuals covered under Section 11362.7 of the Health and Safety Code.~~

Section 19320 of the Business and Professions Code is amended to read:

19320.

(a) Licensing authorities administering this chapter may issue state licenses only to qualified applicants engaging in commercial cannabis activity pursuant to this chapter. Upon the date of implementation of regulations by the licensing authority, no person shall engage in commercial cannabis activity without possessing both a state license and a local permit, license, or other authorization. A licensee shall not commence activity under the authority of a state license until the applicant has obtained, in addition to the state license, a license or permit from the local jurisdiction in which he or she proposes to operate, following the requirements of the applicable local ordinance.

~~(b) Revocation of a local license, permit, or other authorization shall terminate the ability of a medical cannabis business to operate within that local jurisdiction until the local jurisdiction reinstates or reissues the local license, permit, or other requirement authorization. Local authorities shall notify the bureau upon revocation of a local license. The bureau shall inform licensing authorities.~~

Each licensee shall obtain a separate license for each location where it engages in commercial medical cannabis activity. However, transporters only need to obtain licenses for each physical location where the licensee conducts business while not in transport, or any equipment that is not currently transporting medical cannabis or medical cannabis products, permanently resides.

(c) Revocation of a local license, permit, or other authorization shall terminate the ability of a medical cannabis business to operate within that local jurisdiction until the local jurisdiction reinstates or reissues the local license, permit, or other authorization. Local authorities shall notify the bureau upon revocation of a local license. The bureau shall inform relevant licensing authorities.

~~(e)~~ *(d)* Revocation of a state license shall terminate the ability of a medical cannabis licensee to operate within California until the licensing authority reinstates or reissues the state license. ~~Each licensee shall obtain a separate license for each location where it engages in commercial medical cannabis activity. However, transporters only need to obtain licenses for each physical location where the licensee conducts business while not in transport, or any equipment that is not currently transporting medical cannabis or medical cannabis products, permanently resides.~~

~~(d)~~ *(e)* In addition to the provisions of this chapter, local jurisdictions retain the power to assess fees and taxes, as applicable, on facilities that are licensed pursuant to this chapter and the business activities of those licensees.

~~(e)~~ *(d)* Nothing in this chapter shall be construed to supersede or limit state agencies, including the *Department of Food and Agriculture*, the State Water Resources Control Board and Department of Fish and Wildlife, from establishing fees to support their medical cannabis regulatory programs.

Section 19321 of the Business and Professions Code is amended to read:

19321.

~~(a) The Department of Consumer Affairs, the Department of Food and Agriculture, and the State Department of Public Health shall promulgate regulations for implementation of their respective responsibilities in the administration of this chapter.~~

~~(b)~~ *(a)* A license issued pursuant to this ~~section~~ *chapter* shall be valid for 12 months from the date of issuance. The license shall be renewed annually. Each licensing authority shall establish procedures for the renewal of a license.

~~(c)~~ *(b)* Notwithstanding subdivision (a) of Section 19320, a ~~facility or entity~~ *premise or person* that is operating in compliance with local zoning ordinances and other state and local requirements on or before January 1, 2018, may continue its operations until its application for licensure is approved or denied pursuant to this chapter only if: 1) A completed application and all required documentation and approvals for licensure are submitted to the licensing authority no later than the deadline established by the licensing authority, and 2) the applicant continues to operate in compliance with all local and state requirements, except possession of a state license pursuant to this chapter. In issuing licenses, the licensing authority shall prioritize any ~~facility or entity~~ *premise or person* that can demonstrate to the authority's satisfaction that it was in operation and in good standing with the local jurisdiction by January 1, 2016.

~~(d)~~ *(c)* Issuance of a state license or a determination of compliance with local law by the licensing authority shall in no way limit the ability of the City of Los Angeles to prosecute any person or entity for a violation of, or otherwise enforce, Proposition D, approved by the voters of the City of Los Angeles on the May 21, 2013, ballot for the city, or the city's zoning laws. Nor may issuance of a license or determination of compliance with local law by the licensing authority be deemed to establish, or be relied upon, in determining satisfaction with the immunity requirements of Proposition D or local zoning law, in court or in any other context or forum.

Section 19322 of the Business and Professions Code is amended to read:

19322.

~~(a) A person or entity shall not submit an application for a state license issued by the department a~~ *licensing pursuant authority pursuant* to this chapter unless that person or entity has received a license, permit, or authorization by a local jurisdiction. An applicant for any type of state license issued pursuant to this chapter shall do all of the following:

(1) Electronically submit to the Department of Justice fingerprint images and related information required by the Department of Justice for the purpose of obtaining information as to the existence and content of a record of state or federal convictions and arrests, and information as to the existence and content of a record of state or federal convictions and arrests for which the Department of Justice establishes that the person is free on bail or on his or her own recognizance, pending trial or appeal.

- (A) The Department of Justice shall provide a response to the licensing authority pursuant to paragraph (1) of subdivision (p) of Section 11105 of the Penal Code.
- (B) The licensing authority shall request from the Department of Justice subsequent notification service, as provided pursuant to Section 11105.2 of the Penal Code, for applicants.
- (C) The Department of Justice shall charge the applicant a fee sufficient to cover the reasonable cost of processing the requests described in this paragraph.
- (2) Provide documentation issued by the local jurisdiction in which the proposed business is operating certifying that the applicant is or will be in compliance with all local ordinances and regulations.
- (3) Provide evidence of the legal right to occupy and use the proposed location. For an applicant seeking a cultivator, distributor, manufacturing, testing, or dispensary license, provide a statement from the owner of real property or their agent where the cultivation, distribution, manufacturing, testing, or dispensing of commercial medical cannabis activities will occur, as proof to demonstrate the landowner has acknowledged and consented to permit cultivation, distribution, manufacturing, or dispensary activities to be conducted on the property by the tenant applicant.
- (4) If the application is for a cultivator or a dispensary, provide evidence that the proposed location is located beyond at least a 600 foot radius from a school, as required by Section 11362.768 of the Health and Safety Code.
- (5) Provide a statement, signed by the applicant under penalty of perjury, that the information provided is complete, true, and accurate.
- (6) (A) For an applicant with 20 or more employees, provide a statement that the applicant will enter into, or demonstrate that it has already entered into, and abide by the terms of a labor peace agreement.
- (B) For the purposes of this paragraph, “employee” does not include a supervisor.
- (C) For purposes of this paragraph, “supervisor” means an individual having authority, in the interest of the licensee, to hire, transfer, suspend, lay off, recall, promote, discharge, assign, reward, or discipline other employees, or responsibility to direct them or to adjust their grievances, or effectively to recommend such action, if, in connection with the foregoing, the exercise of that authority is not of a merely routine or clerical nature, but requires the use of independent judgment.
- (7) Provide the applicant’s valid seller’s permit number issued pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code or indicate that the applicant is currently applying for a seller’s permit.
- (8) Provide any other information required by the licensing authority.
- (9) For an applicant seeking a cultivation license, provide a statement declaring the applicant is an “agricultural employer,” as defined in the Alatorre-Zenovich-Dunlap-Berman Agricultural Labor Relations Act of 1975 (Part 3.5 (commencing with Section 1140) of Division 2 of the Labor Code), to the extent not prohibited by law.
- ~~(10) For an applicant seeking licensure as a testing laboratory, register with the State Department of Public Health and provide any information required by the State Department of Public Health.~~
- ~~(H)~~(10) Pay all applicable fees required for licensure by the licensing authority.
- (b) For applicants seeking licensure to cultivate, distribute, ~~or~~ manufacture, test, or dispense medical cannabis; or medical cannabis products the application shall also include a detailed description of the applicant’s operating procedures for all of the following, as required by the licensing authority:
- (1) Cultivation.
 - (2) Extraction and infusion methods.
 - (3) The transportation process.
 - (4) Inventory procedures.
 - (5) Quality control procedures.
 - (6) Security protocols.
- (c) Provide proof of a bond to cover the costs of destruction of medical cannabis, if necessitated by a violation of licensing requirements.

Section 19323 of the Business and Professions Code is amended to read:

19323.

(a) ~~The A~~ licensing authority shall deny an application if ~~either the applicant or the premises~~ for which a state license is applied ~~does~~ not qualify for licensure under this chapter.

(b) ~~The A~~ licensing authority may deny ~~the an~~ application for licensure or renewal of a state license, or issue a conditional license, if any of the following conditions apply:

(1) Failure to comply with the provisions of this chapter or any rule or regulation adopted pursuant to this chapter, including but not limited to, any requirement imposed to protect natural resources, instream flow, and water quality pursuant to subdivision (a) of Section 19332.

(2) Conduct that constitutes grounds for denial of licensure pursuant to Chapter 2 (commencing with Section 480) of Division 1.5.

(3) A local agency has notified the licensing authority that a licensee or applicant within its jurisdiction is in violation of state rules and regulation relating to commercial cannabis activities, and the licensing authority, through an investigation, has determined that the violation is grounds for termination or revocation of the license. The licensing authority shall have the authority to collect reasonable costs, as determined by the licensing authority, for investigation from the licensee or applicant.

(4) The applicant has failed to provide information required by the licensing authority.

(5) The applicant or licensee has been convicted of an offense that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, except that if the licensing authority determines that the applicant or licensee is otherwise suitable to be issued a license and granting the license would not compromise public safety, the licensing authority shall conduct a thorough review of the nature of the crime, conviction, circumstances, and evidence of rehabilitation of the applicant, and shall evaluate the suitability of the applicant or licensee to be issued a license based on the evidence found through the review. In determining which offenses are substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, the licensing authority shall include, but not be limited to, the following:

(A) A felony conviction for the illegal possession for sale, sale, manufacture, transportation, or cultivation of a controlled substance.

(B) A violent felony conviction, as specified in subdivision (c) of Section 667.5 of the Penal Code.

(C) A serious felony conviction, as specified in subdivision (c) of Section 1192.7 of the Penal Code.

(D) A felony conviction involving fraud, deceit, or embezzlement.

(6) The applicant, or any of its officers, directors, or owners, is a licensed physician making patient recommendations for medical cannabis pursuant to Section 11362.7 of the Health and Safety Code.

(7) The applicant or any of its officers, directors, or owners has been subject to fines or penalties for cultivation or production of a controlled substance on public or private lands pursuant to Section 12025 or 12025.1 of the Fish and Game Code.

(8) The applicant, or any of its officers, directors, or owners, has been sanctioned by a licensing authority or a city, county, or city and county for unlicensed commercial medical cannabis activities or has had a license revoked under this chapter in the three years immediately preceding the date the application is filed with the licensing authority.

(9) Failure to obtain and maintain a valid seller's permit required pursuant to Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code.

(10) The applicant or any of its officers, directors, owners, employees and authorized agents have failed to comply with any operating procedure required pursuant to Section 19322, subdivision (b) of the Business and Professions Code.

(11) Conduct that constitutes grounds for disciplinary action pursuant to this chapter.

Section 19326 of the Business and Professions Code is amended to read:

19326.

(a) A person other than a ~~licensed~~ transporter shall not transport medical cannabis or medical cannabis products from one licensee to another licensee, unless otherwise specified in this chapter.

~~(b)(1) All licensees holding cultivation or manufacturing licenses~~ All cultivator, manufacturers, and licensees holding producing dispensary license in addition to a cultivation or manufacturing license shall send all medical cannabis and medical cannabis products ~~cultivated or manufactured~~ to a distributor, as defined in Section 19300.5, for presale quality assurance and inspection by ~~the Type 11 licensee~~ a distributor and for a batch testing by a ~~Type 8 licensee~~ testing laboratory prior to distribution to a dispensary. ~~Those licensees holding a Type 10A license in addition to a cultivation license or a manufacturing license shall send all medical cannabis and medical cannabis products to a Type 11 licensee for presale inspection and for a batch testing by a Type 8 licensee prior to dispensing any product. The licensing authority shall fine a licensee who violates this subdivision in an amount determined by the licensing authority to be reasonable.~~

(2) Notwithstanding paragraph (1), a cultivator is not required to send medical cannabis to a distributor if the medical cannabis is to be used, sold, or otherwise distributed by methods approved pursuant to this chapter, by a manufacturer for further manufacturing.

~~(c) (1) Upon receipt of medical cannabis or medical cannabis products by a holder of a cultivation or manufacturing license from a cultivator, manufacturer, or a licensee holding a producing dispensary license in addition to a cultivation or a manufacturing license, the Type 11 licensee distributor shall first inspect the product to ensure the identity and quantity of the product and then ensure a random sample of the medical cannabis or medical cannabis product is tested by a Type 8 licensee prior to distributing the batch of medical cannabis or medical cannabis products.~~ ensure a random sample of medical cannabis or medical cannabis product is tested by a testing laboratory.

~~(2) Upon issuance of a certificate of analysis by the Type 8 licensee testing laboratory that the product is fit for manufacturing or retail, all medical cannabis and medical cannabis products shall undergo a quality assurance review by the Type 11 licensee distributor prior to distribution to ensure the quantity and content of the medical cannabis or medical cannabis product, and for tracking and taxation purposes by the state. Licensed eCultivators and manufacturers shall package or seal all medical cannabis and medical cannabis products in tamper-evident, proof packaging and use a unique identifier, as prescribed by the Department of Food and Agriculture, for the purpose of identifying and tracking medical cannabis or medical cannabis products. Medical cannabis and medical cannabis products shall be labeled as required by Section 19347. All packaging and sealing shall be completed prior to medical cannabis or medical cannabis products being transported or delivered to a licensee, qualified patient, or caregiver, unless otherwise specified through regulations by the bureau.~~

~~(3) This section does not limit the ability of licensed cultivators, manufacturers, and dispensaries to directly enter into contracts with one another indicating the price and quantity of medical cannabis or medical cannabis products to be distributed. However, a Type 11 licensee distributor responsible for executing the contract is authorized to collect a fee for the services rendered, including, but not limited to, costs incurred by a Type 8 licensee testing laboratory, as well as applicable state or local taxes and fees.~~

~~(d) Medical cannabis and medical cannabis products shall be tested by a registered-licensed testing laboratory, prior to retail sale or dispensing, as follows:~~

~~(1) Medical cannabis from dried flower shall, at a minimum, be tested for concentration, pesticides, mold, and other contaminants.~~

~~(2) Medical cannabis extracts, cannabis concentrates, and medical cannabis products shall, at a minimum, be tested for concentration and purity of the product.~~

~~(3) This chapter shall not prohibit a licensee from performing on-site testing on the licensee's premise for the purposes of quality assurance of the product in conjunction with reasonable business operations. On-site testing by the licensee shall not be certified by the State Department of Public Health.~~

~~(e) All commercial cannabis activity shall be conducted between licensees, when these licenses have become are available.~~

Section 19327 of the Business and Professions Code is amended to read:
19327.

(a) A licensee shall keep accurate records of commercial cannabis activity.

- (b) All records related to commercial cannabis activity ~~as defined by the licensing authorities~~ shall be maintained for a minimum of seven years.
- (c) ~~The bureau~~ Licensing authorities may examine the ~~books and~~ records of a licensee~~s~~ and inspect the premises of a licensee as the licensing authority or a state or local agency deems necessary to perform its duties under this chapter. All inspections and examination of records shall be conducted during standard business hours of the licensed facility or at any other reasonable time. Licensees shall provide and deliver records to the licensing authority upon request.
- (d) Licensees shall keep records identified by the licensing authorities on the premises of the location licensed. ~~The licensing authorities may make any examination of the records of any licensee. Licensees shall also provide and deliver copies of documents to the licensing agency upon request.~~
- (e) A licensee or its agent, or employee, that refuses, impedes, obstructs, or interferes with an inspection of the premises or records of the licensee pursuant to this section has engaged in a violation of this chapter.
- (f) If a licensee, its agent or an employee of a licensee fails to maintain or provide the records required pursuant to this section, the licensee ~~shall~~ may be subject to a citation and fine of thirty thousand dollars (\$30,000) per individual violation.

Section 19328 of the Business and Professions Code is amended to read:
19328.

- (a) A licensee may only hold a state license in up to two separate license categories, as follows:
- (1) Type 1, 1A, 1B, 2, 2A, or 2B licensees may also hold either a Type 6 or 7 state license.
 - (2) Type 6 or 7 licensees, or a combination thereof, may also hold either a Type 1, 1A, 1B, 2, 2A, or 2B state license.
 - (3) Type 6 or 7 licensees, or a combination thereof, may also hold a Type 10A state license.
 - (4) Type 10A licensees may also hold either a Type 6 or 7 state license, or a combination thereof.
 - (5) Type 1, 1A, 1B, 2, 2A, or 2B licensees, or a combination thereof, may also hold a Type 10A state license.
 - (6) Type 10A licensees may apply for Type 1, 1A, 1B, 2, 2A, or 2B state license, or a combination thereof.
 - (7) Type 11 licensees shall apply for a Type 12 state license, but shall not apply for any other type of state license.
 - (8) Type 12 licensees may apply for a Type 11 state license.
 - (9) A Type 10A licensee may apply for a Type 6 or 7 state license and hold a 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or combination thereof if, under the 1, 1A, 1B, 2, 2A, 2B, 3, 3A, 3B, 4 or combination of licenses thereof, no more than four acres of total canopy size of cultivation by the licensee is occurring throughout the state during the period that the respective licenses are valid. All cultivation pursuant to this section shall comply with local ordinances. This paragraph shall become inoperative on January 1, 2026.
- (b) Except as provided in subdivision (a), a person or entity that holds a state license is prohibited from licensure for any other activity authorized under this chapter, and is prohibited from holding an ownership interest in real property, personal property, or other assets associated with or used in any other license category.
- (c) (1) In a jurisdiction that adopted a local ordinance, prior to July 1, 2015, allowing or requiring qualified businesses to cultivate, manufacture, and dispense medical cannabis or medical cannabis products, with all commercial cannabis activity being conducted by a single qualified business, upon licensure that business shall not be subject to subdivision (a) if it meets all of the following conditions:
- (A) The business was cultivating, manufacturing, and dispensing medical cannabis or medical cannabis products on ~~July 1, 2015~~ January 1, 2016, and has continuously done so since that date.
 - (B) The business has been in full compliance with all applicable local ordinances at all times prior to licensure.
- (C) The business is registered with the State Board of Equalization for tax purposes.

(2) A business licensed pursuant to paragraph (1) is not required to conduct all cultivation or manufacturing within the bounds of a local jurisdiction, but all cultivation and manufacturing shall have commenced prior to ~~July 1, 2015~~ January 1, 2016, and have been in full compliance with applicable local ordinances.

(d) This section shall remain in effect only until January 1, 2026, and as of that date is repealed.

Section 19332 of the Business and Professions Code is amended to read:

19332.

(a) The Department of Food and Agriculture shall promulgate regulations governing the licensing of indoor and outdoor commercial cultivation sites.

(b) The Department of Pesticide Regulation, ~~in consultation with the Department of Food and Agriculture,~~ shall develop ~~standards~~ guidelines for the use of pesticides in ~~the~~ cultivation, ~~and maximum tolerances for pesticides and other foreign object~~ of cannabis and residue in harvested cannabis. (c) ~~The State Department of Public Health shall develop standards for the production and labeling of all edible medical cannabis products.~~

(d) The Department of Food and Agriculture shall serve as lead agency for CEQA purposes. ~~with the~~ (e) The State Water Resources Control Board, in consultation with the Department of Fish and Wildlife and ~~the Department of Food and Agriculture~~ the State Water Resources Control Board, shall ensure that individual and cumulative effects of water diversion and discharge associated with cultivation of cannabis do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability.

variability.

(1)(A)(i) The State Water Resources Control Board, in consultation with the Department of Fish and Wildlife, shall adopt principles and guidelines for diversion and use of water for cannabis cultivation in areas where cannabis cultivation may have the potential to substantially affect instream flows. The principles and guidelines adopted under this paragraph may include, but are not necessarily limited to, instream flow objectives, limits on diversions, and requirements for screening of diversions and elimination of barriers to fish passage. The principles and guidelines may include requirements that apply to groundwater extractions where the State Water Resources Control Board determines those requirements are reasonably necessary for purposes of this section.

(ii) Prior to adopting long-term principles and guidelines under this subparagraph (A), the State Water Resources Control Board shall prepare an environmental analysis that identifies significant environmental impacts and identifies alternatives or mitigation that would reduce the significance of the impacts. The State Water Resources Control Board shall provide an opportunity for the public to review and comment on the analysis for at least 60 days and shall consider the analysis and public comments before adopting the long-term principles and guidelines.

(B) The State Water Resources Control Board, in consultation with the Department of Fish and Wildlife, shall adopt interim principles and guidelines, to provide reasonable protection of instream flows pending development of long-term principles and guidelines under subparagraph (A) that fully achieve the purposes of this subdivision. The interim principles and guidelines may also include measures to protect springs, wetlands and aquatic habitats from negative impacts of cannabis cultivation. The State Water Resources Control Board may update the interim principles and guidelines as it determines to be reasonably necessary for purposes of this section.

(C) The Department of Fish and Wildlife, in consultation with the State Water Resources Control Board, may establish interim requirements to protect fish and wildlife from the impacts of diversions for cannabis cultivation pending the adoption of long-term principles and guidelines by the State Water Resources Control Board under subparagraph (A). The requirements may also include measures to protect springs, wetlands and aquatic habitats from negative impacts of cannabis cultivation.

(2)(A) Actions of the State Water Resources Control Board and the Department of Fish and Wildlife under this subdivision are exempt from Division 13 (commencing with Section 21000) of the Public Resources Code.

(B) The State Water Resources Control Board shall adopt principles and guidelines under this subdivision as part of state policy for water quality control adopted pursuant to Article 3 (commencing with Section 13140) of Chapter 3 of Division 7 of the Water Code.

(C) If the Department of Fish and Wildlife establishes interim requirements under this subdivision it shall do so as emergency regulations, in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The adoption of those interim requirements is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health, safety, and general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the emergency regulations shall remain in effect until revised by the Department of Fish and Wildlife, provided that the emergency regulations shall not apply after long-term principles and guidelines adopted by the State Water Resources Control Board under this paragraph take effect for the stream or other body of water where the diversion is located.

(D) A diversion for cannabis cultivation is subject to both the interim principles and guidelines and the interim requirements in the period before final principles and guidelines are adopted by the State Water Resources Control Board.

(E) The State Water Resources Control Board shall have primary enforcement responsibility for principles and guidelines adopted under this subdivision, and shall notify the Department of Food and Agriculture of any enforcement action taken.

~~(e)~~ (f) The Department of Food and Agriculture shall have the authority necessary for the implementation of the regulations it adopts pursuant to this chapter. The regulations shall do all of the following:

(1) Provide that weighing or measuring devices used in connection with the sale or distribution of medical cannabis are required to meet standards equivalent to Division 5 (commencing with Section 12001).

(2) Require that cannabis cultivation by licensees is conducted in accordance with state and local laws ~~related to land conversion, grading, electricity usage, water usage, agricultural discharges, and similar matters.~~ Nothing in this chapter, and no regulation adopted by the department, shall be construed to supersede or limit the authority of the State Water Resources Control Board, regional water quality control boards, or the Department of Fish and Wildlife to implement and enforce their statutory obligations or to adopt regulations to protect water quality, water supply, and natural resources.

(3) Establish procedures for the issuance and revocation of unique identifiers for activities associated with a cannabis cultivation license, pursuant to Article 8 (commencing with Section 19337). All cannabis shall be labeled with the unique identifier issued by the Department of Food and Agriculture.

(4) Prescribe standards, in consultation with the bureau, for the reporting of information as necessary related to unique identifiers, pursuant to Article 8 (commencing with Section 19337).

~~(f)~~ (g) The Department of Pesticide Regulation, ~~in consultation with the State Water Resources Control Board,~~ shall promulgate regulations that require that the application of pesticides or other pest control in connection with the indoor or outdoor cultivation of medical cannabis complies with meets standards equivalent to Division 6 (commencing with Section 11401) of the Food and Agricultural Code and its implementing regulations.

~~(g)~~ (h) State cultivator license types issued by the Department of Food and Agriculture may include:

(1) Type 1, or “specialty outdoor,” for outdoor cultivation using no artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises, or up to 50 mature plants on noncontiguous plots.

(2) Type 1A, or “specialty indoor,” for indoor cultivation using exclusively artificial lighting of less than or equal to 5,000 square feet of total canopy size on one premises.

(3) Type 1B, or “specialty mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, of less than or equal to 5,000 square feet of total canopy size on one premises.

(4) Type 2, or “small outdoor,” for outdoor cultivation using no artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.

- (5) Type 2A, or “small indoor,” for indoor cultivation using exclusively artificial lighting between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (6) Type 2B, or “small mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 5,001 and 10,000 square feet, inclusive, of total canopy size on one premises.
- (7) Type 3, or “outdoor,” for outdoor cultivation using no artificial lighting from 10,001 square feet to one acre, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.
- (8) Type 3A, or “indoor,” for indoor cultivation using exclusively artificial lighting between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.
- (9) Type 3B, or “mixed-light,” for cultivation using a combination of natural and supplemental artificial lighting at a maximum threshold to be determined by the licensing authority, between 10,001 and 22,000 square feet, inclusive, of total canopy size on one premises. The Department of Food and Agriculture shall limit the number of licenses allowed of this type.
- (10) Type 4, or “nursery,” for cultivation of medical cannabis solely as a nursery. Type 4 licensees may transport live plants.

Section 19332.2 is added to the Business and Professions Code, to read:

19332.2 (a) An application for a license for indoor or outdoor cultivation shall identify the source of water supply.

(1) (A) If water will be supplied by a retail water supplier, as defined in Section 13575 of the Water Code, the application shall identify the retail water supplier.

(B) Paragraphs (2) and (3) do not apply to any water subject to subparagraph (A) unless the retail water supplier has ten or fewer customers, the applicant receives ten percent or more of the water supplied by the retail water supplier, twenty-five percent or more of the water delivered by the retail water supplier is used for cannabis cultivation, or the applicant and the retail water supplier are affiliates, as defined in Section 2814.20 of Title 23 of the California Code of Regulations.

(2) If the water supply includes a diversion within the meaning of Section 5100 of the Water Code, the application shall identify the point of diversion and maximum amount to be diverted.

(3) If water will be supplied from a groundwater extraction not subject to paragraph (2), the application shall identify the location of the extraction and the maximum amount to be diverted for cannabis cultivation in any year.

(b) An application for a license issued by the Department of Food and Agriculture before January 1, 2020 shall include one of the following:

(1) A copy of a registration, permit or license issued under Part 2 (commencing with Section 1200) of Division 2 of the Water Code that covers the diversion.

(2) A copy of a statement of water diversion and use, filed with the State Water Resources Control Board before July 1, 2017, that covers the diversion and specifies the amount of water used for cannabis cultivation.

(3) A copy of a pending application for a permit to appropriate water, filed with the State Water Resources Control before July 1, 2017.

(4) Documentation, submitted to the State Water Resources Control Board before July 1, 2017, establishing that the diversion is subject to subdivision (a), (c), (d) or (e) of Section 5101 of the Water Code.

(5) Documentation, submitted to the State Water Resources Control Board before July 1, 2017, establishing that the diversion is authorized under a riparian right and that no diversion occurred after January 1, 2010, and before January 1, 2017.

(c) An application for a cultivation license issued after December 31, 2019, shall include one of the following:

(1) A copy of a registration, permit or license issued under Division 2 (commencing with Section 1200) of Division 2 of the Water Code that covers the diversion.

(2) A copy of a statement of water diversion and use, filed with the State Water Resources Control Board, that covers the diversion.

(3) Documentation, submitted to the State Water Resources Control Board, establishing that the diversion is subject to subdivision (a), (c), (d) or (e) of Section 5101 of the Water Code.

(4) Documentation, submitted to the State Water Resources Control Board, establishing that the diversion is authorized under a riparian right and that no diversion occurred in any calendar year between January 1, 2010 and the calendar year in which the application is submitted.

(d) The Department of Food and Agriculture shall include in any license for cultivation requirements for compliance with applicable principles and guidelines and requirements established under subdivision (e) of Section 19332.

(e) The Department of Food and Agriculture shall include in any license for cultivation any relevant mitigation requirements the Department of Food and Agriculture identifies as part of its approval of the final environmental documentation for the cannabis cultivation licensing program as requirements that should be included in a license for cultivation. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the identification of these mitigation measures.

(f) Every license for cultivation shall include a condition that the license shall not be effective until the licensee has complied with Section 1602 of the Fish and Game Code or receives written verification from the Department of Fish and Wildlife that a streambed alteration agreement is not required.

(g) The Department of Food and Agriculture shall consult with the State Water Resources Control Board and the Department of Fish and Wildlife in the implementation of this section.

Section 19332.5 of the Business and Professions Code is amended to read:

19332.5.

(a) Not later than January 1, 2020, the Department of Food and Agriculture ~~in conjunction with the bureau~~, shall make available a certified organic designation and organic certification program for medical ~~cannabis cultivation marijuana~~, if permitted under federal law and the National Organic Program (Section 6517 of the federal Organic Foods Production Act of 1990 (7 U.S.C. Sec. 6501 et seq.)), and Article 7 (commencing with Section 110810) of Chapter 5 of Part 5 of Division 104 of the Health and Safety Code.

(b) The ~~bureau~~ Department of Food and Agriculture may establish appellations of origin for ~~marijuana~~ cannabis grown in California.

(c) It is unlawful for medical ~~marijuana~~ cannabis to be marketed, labeled, or sold as grown in a California county when the medical ~~marijuana~~ cannabis was not grown in that county.

(d) It is unlawful to use the name of a California county in the labeling, marketing, or packaging of medical ~~marijuana~~ cannabis products unless the product was grown in that county.

Section 19334 of the Business and Professions Code is amended to read:

19334.

(a) State licenses to be issued by the Department of Consumer Affairs are as follows:

(1) "Dispensary," Type 10 License as defined in this chapter. This license shall allow for delivery pursuant to Section 19340.

(2) "Distributor," Type 11 License for the distribution of medical cannabis and medical cannabis products from manufacturer to dispensary. A ~~Type 11 Distributor~~ licensee shall hold a Type 12, or transporter, license and register each location where product is stored for the purposes of distribution. A ~~Type 11 licensee-Distributor~~ shall not hold a license in a cultivation, manufacturing, dispensing, or testing license category and shall not own, or have an ownership interest in, a ~~facility~~ premise licensed in those categories other than a security interest, lien, or encumbrance on property that is used by a licensee. A ~~Type 11 licensee-Distributor~~ shall be bonded and insured at a minimum level established by the licensing authority.

(3) “Transport,” *Type 12 License* for transporters of medical cannabis or medical cannabis products between licensees. A Type 12 licensee shall be bonded and insured at a minimum level established by the licensing authority.

(4) “~~Special Producing~~ dispensary ~~status~~” Type 10A for dispensers who have no more than three licensed dispensary facilities and wish to hold either a cultivation and or manufacturing license. This license shall allow for delivery where expressly authorized by local ordinance. Each dispensary must be individually licensed.

(b) The bureau shall establish minimum security requirements for the commercial transportation, storage, and delivery of medical cannabis and products.

(c) The State Department of Public Health shall establish minimum security requirements for the storage of medical cannabis products at the manufacturing site.

~~(e)~~(d) A licensed dispensary shall implement sufficient security measures to both deter and prevent unauthorized entrance into areas containing medical cannabis or medical cannabis products and theft of medical cannabis or medical cannabis products at the dispensary. These security measures shall include, but not be limited to, all of the following:

(1) Preventing individuals from remaining on the premises of the dispensary if they are not engaging in activity expressly related to the operations of the dispensary.

(2) Establishing limited access areas accessible only to authorized dispensary personnel.

(3) Storing all finished medical cannabis and medical cannabis products in a secured and locked room, safe, or vault, and in a manner as to prevent diversion, theft, and loss, except for limited amounts of cannabis used for display purposes, samples, or immediate sale.

~~(e)~~(4) A dispensary shall notify the licensing authority and the appropriate law enforcement authorities within 24 hours after discovering any of the following:

(1) Significant discrepancies identified during inventory. The level of significance shall be determined by the bureau.

(2) Diversion, theft, loss, or any criminal activity ~~involving the~~ pertaining to the operation of dispensary ~~or any agent or employee of the dispensary.~~

(3) Diversion, theft, loss, or any criminal activity by any agent or employee of the dispensary pertaining to the operation of the dispensary.

~~(3)~~(4) The loss or unauthorized alteration of records related to medical cannabis or medical cannabis products, registered qualifying patients, primary caregivers, or dispensary employees or agents.

~~(4)~~(5) Any other breach of security.

Section 19335 of the Business and Professions Code is amended to read:
19335.

(a) The Department of Food and Agriculture, in consultation with the bureau, shall establish a track and trace program for reporting the movement of medical ~~marijuana~~ cannabis items throughout the distribution chain that utilizes a unique identifier pursuant to Section 11362.777 of the Health and Safety Code and secure packaging and is capable of providing information that captures, at a minimum, all of the following:

(1) The licensee receiving the product.

(2) The transaction date.

(3) The cultivator from which the product originates, including the associated unique identifier, pursuant to Section 11362.777 of the Health and Safety Code.

(b) (1) The Department of Food and Agriculture, in consultation with the Board of Equalization, shall create an electronic database containing the electronic shipping manifests to facilitate the administration of the track and trace program, which shall include, but not be limited to, the following information:

(A) The quantity, or weight, and variety of products shipped.

(B) The estimated times of departure and arrival.

(C) The quantity, or weight, and variety of products received.

(D) The actual time of departure and arrival.

- (E) A categorization of the product.
- (F) The license number and the unique identifier pursuant to Section 11362.777 of the Health and Safety Code issued by the licensing authority for all licensees involved in the shipping process, including but not limited to cultivators, manufacturers, transporters, distributors, and dispensaries.
- (2) (A) The database shall be designed to flag irregularities for all licensing authorities in this chapter to investigate. All licensing authorities pursuant to this chapter may access the database and share information related to licensees under this chapter, including social security and individual taxpayer identifications notwithstanding Section 30.
- (B) The Department of Food and Agriculture shall immediately inform the bureau upon the finding of an irregularity or suspicious finding related to a licensee, applicant, or commercial cannabis activity for investigatory purposes.
- (3) Licensing authorities and state and local agencies may, at any time, inspect shipments and request documentation for current inventory.
- (4) The bureau shall have 24-hour access to the electronic database administered by the Department of Food and Agriculture. The Board of Equalization shall have read access to the electronic database for the purpose of taxation and regulation of medical cannabis and medical cannabis products.
- (5) The Department of Food and Agriculture shall be authorized to enter into memoranda of understandings with licensing authorities for data sharing purposes, as deemed necessary by the Department of Food and Agriculture.
- (6) Information received and contained in records kept by the Department of Food and Agriculture or licensing authorities for the purposes of administering this ~~section~~ chapter are confidential and shall not be disclosed pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code), except as necessary for authorized employees of the State of California or any city, county, or city and county to perform official duties pursuant to this chapter or a local ordinance.
- (7) Upon the request of a state or local law enforcement agency, licensing authorities shall allow access to or provide information contained within the database to assist law enforcement in their duties and responsibilities pursuant to this chapter.

Section 19341 of the Business and Professions Code is amended to read:

19341.

The State Department of Public Health shall promulgate regulations governing the licensing of ~~cannabis manufacturers and testing laboratories~~. The State Department of Public Health shall develop standards for the manufacturing and labeling of all manufactured medical cannabis products. Licenses to be issued are as follows:

- (a) "Manufacturing level 1," for manufacturing sites that produce medical cannabis products using nonvolatile solvents.
- (b) "Manufacturing level 2," for manufacturing sites that produce medical cannabis products using volatile solvents. The State Department of Public Health shall limit the number of licenses of this type.
- (c) ~~"Testing," for testing of medical cannabis and medical cannabis products. Testing licensees shall have their facilities licensed according to regulations set forth by the division. A testing licensee shall not hold a license in another license category of this chapter and shall not own or have ownership interest in a facility licensed pursuant to this chapter.~~

Section 19342 of the Business and Professions Code is amended to read:

19342.

- (a) For the purposes of testing medical cannabis or medical cannabis products, licensees shall use a ~~licensed testing laboratory that has adopted a standard operating procedure using methods consistent with general requirements for the competence of testing and calibration activities, including sampling, using standard methods~~ established by the International Organization for Standardization, specifically ISO/IEC 17020 and ISO/IEC 17025, to test medical cannabis and medical cannabis products. The testing

~~laboratory shall be that are approved by an accrediting~~ accredited by a body that is a signatory to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement.

(b) An agent of a ~~licensed~~ testing laboratory shall obtain samples according to a statistically valid sampling method for each lot.

(c) A ~~licensed~~ testing laboratory shall analyze samples according to ~~either of the following:~~

(1) ~~The most current version of the cannabis inflorescence monograph published by the American Herbal Pharmacopoeia.~~

In the final form which the medical cannabis or medical cannabis products will be consumed or used, including moisture content and other attributes.

(2) ~~A scientifically valid methodology, that is demonstrably equal or superior to paragraph (1), in the opinion of the accrediting body, as determined by the bureau.~~

(d) If a test result falls outside the specifications authorized by law or regulation, the ~~licensed~~ testing laboratory shall follow a standard operating procedure to confirm or refute the original result.

(e) A ~~licensed~~ testing laboratory shall destroy the remains of the sample of medical cannabis or medical cannabis product upon completion of the analysis.

(f) The State Department of Public Health and Department of Pesticides Regulation shall provide assistance to the bureau in developing regulations as requested by the bureau.

(g) A testing laboratory licensee shall not hold a license in another license category of this chapter and shall not own or have an ownership interest in any other entity or premise licensed under a different category pursuant this chapter.

Section 19343 of the Business and Professions Code is amended to read:

19343.

A ~~licensed~~ testing laboratory shall not ~~be licensed by the bureau handle, test, or analyze medical cannabis or medical cannabis products~~ unless the ~~licensed testing laboratory~~ meets all of the following:

(a) ~~Is registered by the State Department of Public Health.~~ Does not hold a license in another license category within this chapter and does not own or have an ownership interest in any other entity or premise licensed under a different category pursuant to this chapter.

(b) ~~Is independent from all other persons and entities involved in the medical cannabis industry.~~

~~(c)~~ (b) Follows the methodologies, ranges, and parameters that are contained in the scope of the accreditation for testing medical cannabis or medical cannabis products. The testing laboratory shall also comply with any other requirements specified by the bureau ~~State Department of Public Health.~~

~~(d)~~ (c) Notifies the bureau ~~State Department of Public Health~~ within one business day after the receipt of notice of any kind that its accreditation has been denied, suspended, or revoked.

~~(e)~~ (d) Has established standard operating procedures that provide for adequate chain of custody controls for samples transferred to the ~~licensed~~ testing laboratory for testing.

Section 19344 of the Business and Professions Code is amended to read:

19344.

(a) A ~~licensed~~ testing laboratory shall issue a certificate of analysis for each lot, with supporting data, to report both of the following:

(1) Whether the chemical profile of the lot conforms to the specifications of the lot for compounds, including, but not limited to, all of the following, unless limited through regulation by the bureau:

(A) Tetrahydrocannabinol (THC).

(B) Tetrahydrocannabinolic Acid (THCA).

(C) Cannabidiol (CBD).

(D) Cannabidiolic Acid (CBDA).

~~(E) The terpenes described in the most current version of the cannabis inflorescence monograph published by the American Herbal Pharmacopoeia.~~ Terpenes required by the bureau in regulation.

(F) Cannabigerol (CBG).

(G) Cannabinol (CBN).

(H) Any other compounds *or contaminants* required by the ~~bureau~~ *State Department of Public Health*.
(2) That the presence of contaminants does not exceed the levels that are the lesser of either *those in* the most current version of the American Herbal Pharmacopoeia monograph, ~~or guidelines set by the~~ *Department of Pesticide Regulation pursuant to Section 19332 (b) or those set by the bureau* ~~State Department of Public Health~~. For purposes of this paragraph, contaminants includes, but is ~~not~~ *are not* limited to, all of the following:

(A) Residual solvent or processing chemicals.

(B) Foreign material, including, but not limited to, hair, insects, or similar or related adulterant.

(C) Microbiological ~~impurity, including total aerobic microbial count, total yeast mold count, P. aeruginosa, Aspergillus spp., S. aureus, aflatoxin B1, B2, G1, or G2, or ochratoxin A.~~ *impurities as identified by the bureau in regulation.*

~~(D) Whether the batch is within specification for odor and appearance.~~

(b) Residual levels of volatile organic compounds shall be below the lesser of either the specifications set by the United States Pharmacopeia (U.S.P. Chapter 467) or those set by the ~~bureau~~ *State Department of Public Health*.

Section 19345 of the Business and Professions Code is amended to read:

19345.

(a) Except as provided in this chapter, a ~~licensed~~ testing laboratory shall not acquire or receive medical cannabis or medical cannabis products except from a ~~licensed facility~~ *licensee* in accordance with this chapter, and shall not distribute, sell, deliver, transfer, transport, or dispense medical cannabis or medical cannabis products, from which the medical cannabis or medical cannabis products were acquired or received. All transfer or transportation shall be performed pursuant to a specified chain of custody protocol.

(b) A ~~licensed~~ testing laboratory may receive and test samples of medical cannabis or medical cannabis products from a qualified patient or primary caregiver only if he or she presents his or her valid recommendation for cannabis for medical purposes from a physician. A ~~licensed~~ testing laboratory shall not certify samples from a qualified patient or caregiver for resale or transfer to another party or licensee. All tests performed by a ~~licensed~~ testing laboratory for a qualified patient or caregiver shall be recorded with the name of the qualified patient or caregiver and the amount of medical cannabis or medical cannabis product received.

(c) The ~~bureau~~ *State Department of Public Health* shall develop procedures *related to all of the following:*
(1) ~~ensure~~ *Ensuring* that testing of *medical cannabis and medical cannabis products* occurs prior to delivery to dispensaries or any other business.

(2) ~~specify~~ *Specifying* how often licensees shall test *medical cannabis and medical cannabis products.*

(3) ~~and that the cost of testing shall be borne by the licensed cultivators, and require~~ *Requiring the* destruction of harvested batches whose testing samples indicate noncompliance with health and safety standards *required by state law promulgated by the State Department of Public Health*, unless remedial measures can bring the *medical cannabis or medical cannabis products* into compliance with quality assurance standards as promulgated by ~~state law~~ *the State Department of Public Health*.

(d) *Cultivators and manufacturers shall pay all costs related to and associated with the testing of medical cannabis and medical cannabis products required by this chapter.*

~~(d) The State Department of Public Health shall establish a licensing fee, and laboratories shall pay a fee to be licensed. Licensing fees shall not exceed the reasonable regulatory cost of the licensing activities.~~

Section 19347 of the Business and Professions Code is amended to read:

19347.

(a) Prior to delivery *by* or sale *at a* dispensary, *medical cannabis and* medical cannabis products shall be labeled and in a ~~tamper-evident package~~ *proof packaging*. ~~Labels and~~ *Packages of* *medical cannabis and* medical cannabis products shall meet the following requirements:

(1) Medical cannabis packages and labels shall not be made to be attractive to children.

(2) All medical cannabis and medical cannabis product labels shall include the following information, prominently displayed and in a clear and legible font:

(A) Cultivation and manufacture date and source.

(B) The statement “SCHEDULE I CONTROLLED SUBSTANCE.”

(C) The statement “KEEP OUT OF REACH OF CHILDREN AND ANIMALS” in bold print.

(D) The statement “FOR MEDICAL USE ONLY.”

(E) The statement “THE INTOXICATING EFFECTS OF THIS PRODUCT MAY BE DELAYED BY UP TO TWO HOURS.”

(F) The statement “THIS PRODUCT MAY IMPAIR THE ABILITY TO DRIVE OR OPERATE MACHINERY. PLEASE USE EXTREME CAUTION.”

(G) For packages containing only dried flower, the net weight of medical cannabis in the package.

(H) A warning if nuts or other known allergens are used in the manufacturing of the medical cannabis products.

(I) List of ingredients and pharmacologically active ingredients, including, but not limited to, tetrahydrocannabinol (THC), cannabidiol (CBD), and other cannabinoid content, the THC, CBD, and other cannabinoid amount in milligrams per serving, servings per package, and the THC, CBD, and other cannabinoid amount in milligrams for the package total.

(J) Clear indication, in bold type, that the product contains medical cannabis.

~~(K) Identification of the source and date of cultivation and manufacture.~~

(L) Any other requirement set by the bureau or the State Department of Public Health.

(M) Information associated with the unique identifier issued by the Department of Food and Agriculture pursuant to Section 11362.777 of the Health and Safety Code.

(N) All manufactured and edible medical cannabis products, shall be sold only in special packaging constructed to be child-resistant unless otherwise exempted by regulation.

(b) Only generic food names may be used to describe edible medical cannabis products.

Section 19347.1 is added to the Business and Professions Code, to read:

19347.1

(a) The State Department of Public Health may issue a citation, which may contain an order of abatement, and an order to pay an administrative fine assessed by the department where the licensee is in violation of this chapter or any regulation adopted pursuant to it.

(1) Citations shall be in writing and shall describe with particularity the nature of the violation, including specific reference to the provision of law determined to have been violated.

(2) Whenever appropriate, the citation shall contain an order of abatement fixing a reasonable time for abatement of the violation.

(3) In no event shall the administrative fine assessed by the department exceed five thousand dollars (\$5,000) for each violation, unless a different fine amount is expressly provided by this chapter. In assessing a fine, the licensing authority shall give due consideration to the appropriateness of the amount of the fine with respect to factors such as the gravity of the violation, the good faith of the licensee, and the history of previous violations.

(4) A citation issued or a fine assessed pursuant to this section shall notify the licensee that if the licensee desires a hearing to contest the finding of a violation, that hearing shall be requested by written notice to the department within 30 days of the date of issuance of the citation or fine. If a hearing is not requested pursuant to this section, payment of any fine shall not constitute an admission of the violation charged. Hearings shall be held pursuant to Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(5) Failure of a licensee to pay a fine within 30 days of the date of assessment of the fine, unless assessment of the fine or the citation is being appealed, may result in further legal action being taken by the department. For a licensee, where a citation is not contested and a fine is not paid, the full amount of the fine shall be added to the fee for renewal of the license. A license shall not be renewed without payment of the renewal fee, including the amount of the fine.

(6) A citation may be issued without the assessment of an administrative fine.

(7) The department may limit the assessment of administrative fines to only particular violations of the chapter and establish any other requirement for implementation of the citation system by regulation.

(b) Notwithstanding any other provision of law, if a fine is paid to satisfy an assessment based on the finding of a violation, payment of the fine shall be represented as satisfactory resolution of the matter for purposes of public disclosure.

Section 19347.2 is added to the Business and Professions Code, to read:

19347.2

The State Department of Public Health may, in addition to the administrative citation system authorized by section 19347.1, also establish by regulation a similar system for the issuance of an administrative citation to an unlicensed person who is acting in the capacity of a licensee under the jurisdiction of the State Department of Public Health as pertains to this chapter. The administrative citation system authorized by this section shall meet the requirements of section 19347.1 and shall not be applied to an unlicensed person who is otherwise exempt from the licensing provisions of this chapter. The establishment of an administrative citation system for unlicensed activity does not preclude the use of other enforcement statutes for unlicensed activities at the discretion of the State Department of Public Health.

Section 19347.3 is added to the Business and Professions Code, to read:

In determining whether to exercise its discretion when enforcing this chapter, the State Department of Public Health may consider whether the public interest will be adequately served in the circumstances by a suitable written notice or warning. The department may also require licensees to provide the department a written plan of correction and correct a violation within a timeframe the department deems necessary under the circumstances.

Section 19347.4 is added to the Business and Professions Code, to read:

The State Department of Public Health may notify the public regarding any medical cannabis product when the department deems it necessary for the protection of the health and safety of the consumer or for his or her protection from fraud.

Section 19347.5 is added to the Business and Professions Code, to read:

19347.5. (a) A medical cannabis product is misbranded if it is any of the following:

(1) Manufactured, packed, or held in this state in a manufacturing site not duly licensed as provided in this chapter.

(2) Its labeling is false or misleading in any particular.

(3) Its labeling or packaging does not conform to the requirements of section 19347 or a other labeling or packaging requirement established pursuant to this chapter.

(b) It is unlawful for any person to manufacture, sell, deliver, hold, or offer for sale a medical cannabis product that is misbranded.

(c) It is unlawful for any person to misbrand a medical cannabis product.

(d) It is unlawful for any person to receive in commerce a medical cannabis product that is misbranded or to deliver or proffer for delivery any such medical cannabis product.

Section 19347.6 is added to the Business and Professions Code, to read:

19347.6

(a) A medical cannabis product is adulterated if it is any of the following:

(1) It has been produced, prepared, packed, or held under insanitary conditions in which it may have become contaminated with filth or in which it may have been rendered injurious.

(2) It consists in whole or in part of any filthy, putrid, or decomposed substance.

- (3) It bears or contains any poisonous or deleterious substance that may render it injurious to users under the conditions of use suggested in the labeling or under conditions as are customary or usual.
- (4) It bears or contains a substance which is restricted or limited under this chapter or regulations promulgated pursuant to this chapter, and the level of substance in the product exceeds the limits specified pursuant to this chapter or in regulation.
- (5) Its concentrations differ from, or its purity or quality is below, that which it is represented to possess.
- (6) The methods, facilities, or controls used for its manufacture, packing, or holding do not conform to or are not operated or administered in conformity with practices established by regulations adopted under this chapter to ensure that the medical cannabis product meets the requirements of this chapter as to safety and has the concentrations it purports to have and meets the quality and purity characteristics that it purports or is represented to possess.
- (7) Its container is composed, in whole or in part, of any poisonous or deleterious substance that may render the contents injurious to health.
- (8) It is an edible cannabis product and any substance has been mixed or packed with it after testing by a testing laboratory so as to reduce its quality or concentration or if any substance has been substituted, wholly or in part, for the edible cannabis product.
- (b) It is unlawful for a person to manufacture, sell, deliver, hold, or offer for sale a medical cannabis product that is adulterated.
- (c) It is unlawful for any person to adulterate a medical cannabis product.
- (d) It is unlawful for any person to receive in commerce a medical cannabis product that is adulterated or to deliver or proffer for delivery any such medical cannabis product.

Section 19347.7 is added to the Business and Professions Code, to read:

- 19347.7 (a) When the State Department of Public Health has evidence that a medical cannabis product is adulterated or misbranded, the department shall notify the manufacturer.
- (b) The department may order a manufacturer to immediately cease distribution of a medical cannabis product and recall the product if the department determines the following:
- (1) The manufacture, distribution, or sale of the medical cannabis product creates or poses an immediate and serious threat to human life or health; and
- (2) Other procedures available to the State Department of Public Health to remedy or prevent the occurrence of the situation would result in an unreasonable delay.
- (c) The State Department of Public Health shall provide the manufacturer an opportunity for an informal proceeding on the matter, as determined by the Department, within 5 days, on the actions required by the order and on why the product should not be recalled. Following the proceeding, the order shall be affirmed, modified, or set aside as determined appropriate by the State Department of Public Health.
- (d) The State Department of Public Health's powers set forth in this section expressly include the power to order movement, segregation, isolation, or destruction of the medical cannabis products, as well as the power to hold such products in place.
- (e) If the State Department of Public Health determines necessary, it may issue the mandatory recall order and may use all appropriate measures to obtain reimbursement from the manufacturer for any and all costs associated with these orders. All funds obtained by the State Department of Public Health from these efforts shall be deposited into a fee account specific to the State Department of Public Health, to be established in the Medical Cannabis Regulation and Safety Act Fund, and will be available for use by the department upon appropriation by the legislature.
- (f) It is unlawful for any person to move or allow to be moved a medical cannabis product subject to an order issued pursuant to this section unless that person has first obtained written authorization from the State Department of Public Health.

19347.8 (a) Whenever the State Department of Public Health finds or has probable cause to believe that any medical cannabis product is adulterated or misbranded within the meaning of this chapter, or the sale of the medical cannabis product would be in violation of this chapter, the department shall affix to

the medical cannabis product, or component thereof, a tag or other appropriate marking. The State Department of Public Health shall give notice that the medical cannabis product is, or is suspected of being, adulterated, or misbranded, or the sale of which would be in violation of this chapter and has been embargoed and that no person shall remove or dispose of the medical cannabis product by sale or otherwise until permission for removal or disposal is given by the State Department of Public Health or a court.

(b) It is unlawful for any person to remove, sell, or dispose of a detained or embargoed medical cannabis product without written permission of the department or a court. A violation of this subdivision is subject to a fine of not more than ten thousand dollars (\$10,000).

(c) If the adulteration or misbranding can be corrected by proper labeling or additional processing of the medical cannabis product, and all of the provisions of this chapter can be complied with, the claimant or owner may request the State Department of Public Health to remove the tag or other marking. If, under the supervision of the State Department of Public Health, the adulteration or misbranding has been corrected, the department may remove the tag or other marking.

(d) When the State Department of Public Health finds that a medical cannabis product that is embargoed is not adulterated, misbranded, or whose sale is not otherwise in violation of this chapter, the State Department of Public Health may remove the tag or other marking.

(e) The medical cannabis product may be destroyed by the owner pursuant to a corrective action plan approved by the State Department of Public Health and under the supervision of the department. The medical cannabis product shall be destroyed at the expense of the claimant or owner.

(f) A proceeding for condemnation of any medical cannabis product under this section shall be subject to appropriate notice to, and the opportunity for a hearing with regard, the person affected in accordance with section 19308.

(g) Upon a finding by the administrative law judge that the medical cannabis product is adulterated, misbranded, or whose sale is otherwise in violation of this chapter, the administrative law judge may direct the medical cannabis product to be destroyed at the expense of the claimant or owner. The administrative law judge may also direct a claimant or owner of the affected medical cannabis product to pay fees and reasonable costs, including the costs of storage and testing, incurred by the bureau or the Department of Public Health in investigating and prosecuting the action taken pursuant to this section.

(h) When, under the supervision of the State Department of Public Health, the adulteration or misbranding has been corrected by proper labeling or additional processing of the medical cannabis and medical cannabis product and when all provisions of this chapter have been complied with, and after costs, fees, and expenses have been paid to the State Department of Public Health may release the embargo and remove the tag or other marking and the medical cannabis is no longer held for sale in violation of this chapter.

(i) The State Department of Public Health may condemn any medical cannabis product under provisions of this chapter. The medical cannabis product shall be destroyed at the expense of the claimant or owner.

Section 19350 of the Business and Professions Code is amended to read:

19350.

Each licensing authority shall establish a scale of application, licensing, and renewal fees, based upon the cost of enforcing this chapter, as follows:

(a) Each licensing authority shall charge each licensee a licensure and renewal fee, as applicable. The licensure and renewal fee shall be calculated to cover the costs of administering this chapter. The licensure fee may vary depending upon the varying costs associated with administering the various regulatory requirements of this chapter as they relate to the nature and scope of the different licensure activities, including, but not limited to, the track and trace program required pursuant to Section 19335, but shall not exceed the reasonable regulatory costs to the licensing authority.

(b) The total fees assessed pursuant to this chapter shall be set at an amount that will fairly and proportionately generate sufficient total revenue to fully cover the total costs of administering this chapter.

(c) All license fees shall be set on a scaled basis by the licensing authority, dependent on the size of the business.

(1) License fees shall cover the costs of administering the track and trace program managed by the Department of Food and Agriculture, as identified in Article 7.5 of the Business and Professions Code.

(d) The licensing authority shall deposit all fees collected in a fee account specific to that licensing authority, to be established in the Medical ~~Marijuana~~ Cannabis Regulation and Safety Act Fund. Moneys in the licensing authority fee accounts shall be used, upon appropriation of the Legislature, by the designated licensing authority for the administration of this chapter.

Section 19360 of the Business and Professions Code is amended to read:
19360.

(a) A person engaging in commercial cannabis activity without a license and associated unique identifiers required by this chapter shall be subject to civil penalties of up to twice the amount of the license fee for each violation, and the department, state or local authority, or court may order the destruction of medical cannabis associated with that violation. The violators shall be responsible for the cost of the destruction of medical cannabis associated with his/her violation, in addition to any amount covered by a bond required as a condition of licensure. Each day of operation shall constitute a separate violation of this section. All civil penalties imposed and collected pursuant to this section by a licensing authority shall be deposited into the ~~Marijuana Medical Cannabis Fines and Penalties Account~~ Production and Environment Mitigation Fund established pursuant to ~~19351 Section 31013 of the Revenue and Taxation Code.~~

(b) If an action for civil penalties is brought against a licensee pursuant to this chapter by the Attorney General on behalf of the people, the penalty collected shall be deposited into the Medical Cannabis Fines and Penalties Account ~~General Fund~~. If the action is brought by a district attorney or county counsel, the penalty collected shall be paid to the treasurer of the county in which the judgment was entered. If the action is brought by a city attorney or city prosecutor, the penalty collected shall be paid to the treasurer of the city or city and county in which the judgment was entered. If the action is brought by a city attorney and is adjudicated in a superior court located in the unincorporated area or another city in the same county, the penalty shall be paid one-half to the treasurer of the city in which the complaining attorney has jurisdiction and one-half to the treasurer of the county in which the judgment is entered.

(c) Notwithstanding subdivision (a), criminal penalties shall continue to apply to an unlicensed person or entity engaging in cannabis activity in violation of this chapter, including, but not limited to, those individuals covered under Section 11362.7 of the Health and Safety Code.

Section 1602 of the Fish and Game Code is amended to read:

1602. (a) An entity may not substantially divert or obstruct the natural flow of, or substantially change or use any material from the bed, channel, or bank of, any river, stream, or lake, or deposit or dispose of debris, waste, or other material containing crumbled, flaked, or ground pavement where it may pass into any river, stream, or lake, unless all of the following occur:

(1) The department receives written notification regarding the activity in the manner prescribed by the department. The notification shall include, but is not limited to, all of the following:

(A) A detailed description of the project's location and a map.

(B) The name, if any, of the river, stream, or lake affected.

(C) A detailed project description, including, but not limited to, construction plans and drawings, if applicable.

(D) A copy of any document prepared pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code.

(E) A copy of any other applicable local, state, or federal permit or agreement already issued.

(F) Any other information required by the department.

(2) The department determines the notification is complete in accordance with Chapter 4.5 (commencing with Section 65920) of Division 1 of Title 7 of the Government Code, irrespective of whether the activity constitutes a development project for the purposes of that chapter.

(3) The entity pays the applicable fees, pursuant to Section 1609.

(4) One of the following occurs:

(A) (i) The department informs the entity, in writing, that the activity will not substantially adversely affect an existing fish or wildlife resource, and that the entity may commence the activity without an agreement, if the entity conducts the activity as described in the notification, including any measures in the notification that are intended to protect fish and wildlife resources.

(ii) Each region of the department shall log the notifications of activities where no agreement is required. The log shall list the date the notification was received by the department, a brief description of the proposed activity, and the location of the activity. Each item shall remain on the log for one year. Upon written request by any person, a regional office shall send the log to that person monthly for one year. A request made pursuant to this clause may be renewed annually.

(B) The department determines that the activity may substantially adversely affect an existing fish or wildlife resource and issues a final agreement to the entity that includes reasonable measures necessary to protect the resource, and the entity conducts the activity in accordance with the agreement.

(C) A panel of arbitrators issues a final agreement to the entity in accordance with subdivision (b) of Section 1603, and the entity conducts the activity in accordance with the agreement.

(D) The department does not issue a draft agreement to the entity within 60 days from the date notification is complete, and the entity conducts the activity as described in the notification, including any measures in the notification that are intended to protect fish and wildlife resources.

(b) (1) If an activity involves the routine maintenance and operation of water supply, drainage, flood control, or waste treatment and disposal facilities, notice to and agreement with the department shall not be required after the initial notification and agreement, unless the department determines either of the following:

(A) The work described in the agreement has substantially changed.

(B) Conditions affecting fish and wildlife resources have substantially changed, and those resources are adversely affected by the activity conducted under the agreement.

(2) This subdivision applies only if notice to, and agreement with, the department was attained prior to January 1, 1977, and the department has been provided a copy of the agreement or other proof of the existence of the agreement that satisfies the department, if requested.

(c) (1) Notwithstanding subdivision (a), an entity that submits with the written notification described in paragraph (1) of subdivision (a) a license or renewed license for cannabis cultivation issued by the Department of Food and Agriculture that includes the requirements specified in subdivision (d), (e) and (f) of Section 19332.2 of the Business and Professions Code and the fee specified in paragraph (3) of subdivision (a), shall not be required to obtain an agreement from the department for the activities the license covers for the term of the license or renewed license, provided both of the following occur:

(A) The department determines in its sole discretion that compliance with the requirements specified in subdivision (d), (e) and (f) of Section 19332.2 of the Business and Professions Code that are included in the license will adequately protect existing fish and wildlife resources the cultivation may substantially adversely affect without the need for additional measures the department would include in a draft streambed alteration agreement in accordance with Section 1603.

(B) The department notifies the entity in writing the exemption herein applies to the cultivation the license authorizes.

(2) The department shall notify the entity in writing whether or not the exemption in paragraph (1) applies to the cultivation the license or renewed license authorizes within 60 days from the date that the notification is complete and the fee has been paid.

(3) Notwithstanding paragraph (1), if an entity fails to comply with any of the requirements described in subdivision (d), (e) or (f) of Section 19332.2 of the Business and Professions Code that are included in the license, such failure shall constitute a violation under this section, and the department shall notify the Department of Food and Agriculture of any such enforcement action taken.

(d) It is unlawful for any person to violate this chapter.

Section 1617 is added to the Fish and Game Code, to read:

1617. (a) The department may adopt regulations establishing the requirements and procedure for the issuance of a general agreement in a geographic area for a category or categories of activities related to cannabis cultivation.

(b) A general agreement adopted by the department subsequent to adoption of regulations under this section shall be in lieu of an individual agreement described in subparagraph (B) of paragraph (4) of subdivision (a) of Section 1602.

(c) Subparagraph (D) of paragraph (4) of subdivision (a) of section 1602 and all other time periods to process agreements specified in this chapter do not apply to the issuance of a general agreement adopted by the department pursuant to this section.

(d) The department's issuance of a general agreement adopted by the department under this section shall be a final agreement, and therefore not subject to Sections 1603 and 1604.

(e) The department shall charge a fee for a general agreement adopted by the department under this section in accordance with Section 1609.

(f) Regulations adopted pursuant to this section, and any amendment thereto, shall not be subject to Division 13 (commencing with Section 21000) of the Public Resources Code.

Section 12025.2 of the Fish and Game Code is amended to read:

12025.2. The director or his or her designee may issue a complaint to any person or entity in accordance with Section 1055 of the Water Code alleging a violation for which liability may be imposed under ~~of~~ Section 1052 or 1847 of the Water Code that harms fish and wildlife resources. The complaint is subject to the substantive and procedural requirements set forth in Section 1055 of the Water Code, and the department shall be designated a party to any proceeding before the State Water Resources Control Board regarding a complaint filed pursuant to this section.

Section 12029 of the Fish and Game Code is amended to read:

12029.

(a) The Legislature finds and declares all of the following:

(1) The environmental impacts associated with ~~marijuana~~ cannabis cultivation have increased, and unlawful water diversions for ~~marijuana~~ cannabis irrigation have a detrimental effect on fish and wildlife and their habitat, which are held in trust by the state for the benefit of the people of the state.

(2) The remediation of existing ~~marijuana~~ cannabis cultivation sites is often complex and the permitting of these sites requires greater department staff time and personnel expenditures. The potential for ~~marijuana~~ cannabis cultivation sites to significantly impact the state's fish and wildlife resources requires immediate action on the part of the department's lake and streambed alteration permitting staff.

(b) In order to address unlawful water diversions and other violations of the Fish and Game Code associated with ~~marijuana~~ cannabis cultivation, the department shall establish the watershed enforcement program to facilitate the investigation, enforcement, and prosecution of these offenses.

(c) The department, in coordination with the State Water Resources Control Board and the Department of Food and Agriculture, shall establish a permanent multiagency task force to address the environmental impacts of ~~marijuana~~ cannabis cultivation. The multiagency task force, to the extent feasible and subject to available Resources, shall expand its enforcement efforts on a statewide level to ensure the reduction of adverse impacts of ~~marijuana~~ cannabis cultivation on fish and wildlife and their habitats throughout the state.

(d) In order to facilitate the remediation and permitting of ~~marijuana~~ cannabis cultivation sites, the department ~~shall~~ may adopt regulations to enhance the fees on any entity subject to Section 1602 for ~~marijuana~~ cannabis cultivation sites that require remediation. The fee schedule established pursuant to this subdivision shall not exceed the fee limits in Section 1609.

Section 11362.769 of the Health and Safety Code is amended to read:

11362.769.

Indoor and outdoor medical ~~marijuana~~ cannabis cultivation shall be conducted in accordance with state and local laws ~~related to land conversion, grading, electricity usage, water usage, water quality, woodland and riparian habitat protection, agricultural discharges, and similar matters.~~ State agencies, including, but not limited to, the ~~Department of Food and Agriculture, the~~ State Board of Forestry and Fire Protection, the Department of Fish and Wildlife, the State Water Resources Control Board, the California regional water quality control boards, and traditional state law enforcement agencies shall address environmental impacts of medical ~~marijuana~~ cannabis cultivation and shall coordinate, when appropriate, with cities and counties and their law enforcement agencies in enforcement efforts.

Section 11362.775 of the Health and Safety Code is amended to read:

11362.775.

(a) ~~Qualified~~ Subject to subdivision (b), qualified patients, persons with valid identification cards, and the designated primary caregivers of qualified patients and persons with identification cards, who associate within the State of California in order collectively or cooperatively to cultivate ~~marijuana~~ cannabis for medical purposes, shall not solely on the basis of that fact be subject to state criminal sanctions under Section 11357, 11358, 11359, 11360, 11366, 11366.5, or 11570.

(b) This section shall remain in effect only until one year after the Bureau of Medical ~~Marijuana~~ Cannabis Regulation posts a notice on its Internet Web site that the licensing authorities have commenced issuing licenses pursuant to the Medical ~~Marijuana~~ Cannabis Regulation and Safety Act (Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code), and is repealed upon issuance of licenses.

Section 11362.777 of the Health and Safety Code is amended to read:

11362.777.

(a) The Department of Food and Agriculture shall establish a Medical Cannabis Cultivation Program to be administered by the secretary and, except as specified in subdivision (c), shall administer this section as it pertains to the commercial cultivation of medical ~~marijuana~~ cannabis. For purposes of this section and Chapter 3.5 (commencing with Section 19300) of Division 8 of the Business and Professions Code, medical cannabis is an agricultural product.

(b) (1) A person or entity shall not cultivate medical ~~marijuana~~ cannabis without first obtaining both of the following:

(A) A license, permit, or other entitlement, specifically permitting cultivation pursuant to these provisions, from the city, county, or city and county in which the cultivation will occur; and

(B) A state license issued by the department pursuant to this section.

(2) A person or entity shall not submit an application for a state license ~~issued by the department~~ pursuant to this section unless that person or entity has received a license, permit, or other entitlement, specifically permitting cultivation pursuant to these provisions, from the city, county, or city and county in which the cultivation will occur.

(3) A person or entity shall not submit an application for a state license ~~issued by the department~~ pursuant to this section if the proposed cultivation of ~~marijuana~~ cannabis will violate the provisions of any local ordinance or regulation, or if medical ~~marijuana~~ cannabis is prohibited by the city, county, or city and county in which the cultivation is proposed to occur, either expressly or otherwise under principles of permissive zoning.

(c) (1) Except as otherwise specified in this subdivision, and without limiting any other local regulation, a city, county, or city and county, through its current or future land use regulations or ordinance, may issue or deny a permit to cultivate medical ~~marijuana~~ cannabis pursuant to this section. A city, county, or city and county may inspect the intended cultivation site for suitability prior to issuing a permit. After the city, county, or city and county ~~has~~ have approved a permit, the applicant shall apply for a state medical ~~marijuana~~ cannabis cultivation license from the department. A locally issued cultivation permit shall only become active upon licensing by the department and receiving final local approval. A person shall not

cultivate medical ~~marijuana~~ cannabis prior to obtaining both a permit from the city, county, or city and county and a state medical ~~marijuana~~ cannabis cultivation license from the department.

(2) A city, county, or city and county that issues or denies conditional licenses to cultivate medical ~~marijuana~~ cannabis pursuant to this section shall notify the department in a manner prescribed by the secretary.

(3) A city, county, or city and county's locally issued conditional permit requirements must be at least as stringent as the department's state licensing requirements.

(d) (1) The secretary may prescribe, adopt, and enforce regulations relating to the implementation, administration, and enforcement of this part, including, but not limited to, applicant requirements, collections, reporting, refunds and appeals.

(2) The secretary may prescribe, adopt, and enforce any emergency regulations as necessary to implement this part. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare.

(3) The secretary may enter into a cooperative agreement with a county agricultural commissioner to carry out the provisions of this chapter, including, but not limited to, administration, investigations, inspections, licensing and assistance pertaining to the cultivation of medical ~~marijuana~~ cannabis. Compensation under the cooperative agreement shall be paid from assessments and fees collected and deposited pursuant to this chapter and shall provide reimbursement to the county agricultural commissioner for associated costs.

(e) (1) The department, in consultation with, but not limited to, the Bureau of Medical ~~Marijuana~~ Cannabis Regulation, the State Water Resources Control Board, and the Department of Fish and Wildlife, shall implement a unique identification program for medical ~~marijuana~~ cannabis. In implementing the program, the department shall consider issues, including, but not limited to, water use and environmental impacts. In implementing the program, the department shall ensure ~~that: compliance with Section 19332.2 of the Business and Professions Code.~~

~~(A) Individual and cumulative effects of water diversion and discharge associated with cultivation do not affect the instream flows needed for fish spawning, migration, and rearing, and the flows needed to maintain natural flow variability.~~

~~(B) Cultivation will not negatively impact springs, riparian wetlands, and aquatic habitats.~~

(2) The department shall establish a program for the identification of permitted medical ~~marijuana~~ cannabis plants at a cultivation site during the cultivation period. The unique identifier shall be attached at the base of each plant. A unique identifier, such as, but not limited to, a zip tie, shall be issued for each medical ~~marijuana~~ cannabis plant.

(A) Unique identifiers will only be issued to those persons appropriately licensed by this section.

(B) Information associated with the assigned unique identifier and licensee shall be included in the trace and track program specified in Section 19335 of the Business and Professions Code.

(C) The department may charge a fee to cover the reasonable costs of issuing the unique identifier and monitoring, tracking, and inspecting each medical ~~marijuana~~ cannabis plant.

(D) The department may promulgate regulations to implement this section.

(3) The department shall take adequate steps to establish protections against fraudulent unique identifiers and limit illegal diversion of unique identifiers to unlicensed persons.

(f) (1) A city, county, or city and county that issues or denies licenses, permits, or other entitlements to cultivate medical ~~marijuana~~ cannabis pursuant to this section shall notify the department in a manner prescribed by the secretary.

(2) Unique identifiers and associated identifying information administered by a city, county, or city and county ~~or county~~ shall adhere to the requirements set by the department and be the equivalent to those administered by the department.

(g) This section does not apply to a qualified patient cultivating ~~marijuana~~ *cannabis* pursuant to Section 11362.5 if the area he or she uses to cultivate ~~marijuana~~ *cannabis* does not exceed 100 square feet and he or she cultivates ~~marijuana~~ *cannabis* for his or her personal medical use and does not sell, distribute, donate, or provide ~~marijuana~~ *cannabis* to any other person or entity. This section does not apply to a primary caregiver cultivating ~~marijuana~~ *cannabis* pursuant to Section 11362.5 if the area he or she uses to cultivate ~~marijuana~~ *cannabis* does not exceed 500 square feet and he or she cultivates ~~marijuana~~ *cannabis* exclusively for the personal medical use of no more than five specified qualified patients for whom he or she is the primary caregiver within the meaning of Section 11362.7 and does not receive remuneration for these activities, except for compensation provided in full compliance with subdivision (c) of Section 11362.765. For purposes of this section, the area used to cultivate ~~marijuana~~ *cannabis* shall be measured by the aggregate area of vegetative growth of live ~~marijuana~~ *cannabis* plants on the premises. Exemption from the requirements of this section does not limit or prevent a city, county, or city and county from exercising its police authority under Section 7 of Article XI of the California Constitution.

Section 1525 of the Water Code is amended to read:

1525. (a) Each person or entity who holds a permit or license to appropriate water, and each lessor of water leased under Chapter 1.5 (commencing with Section 1020) of Part 1, shall pay an annual fee according to a fee schedule established by the board.

(b) Each person or entity who files any of the following shall pay a fee according to a fee schedule established by the board:

- (1) An application for a permit to appropriate water.
- (2) A registration of appropriation for a small domestic use, small irrigation use, or livestock stockpond use.
- (3) A petition for an extension of time within which to begin construction, to complete construction, or to apply the water to full beneficial use under a permit.
- (4) A petition to change the point of diversion, place of use, or purpose of use, under a permit, license, or registration.
- (5) A petition to change the conditions of a permit or license, requested by the permittee or licensee that is not otherwise subject to paragraph (3) or (4).
- (6) A petition to change the point of discharge, place of use, or purpose of use, of treated wastewater, requested pursuant to Section 1211.
- (7) An application for approval of a water lease agreement.
- (8) A request for release from priority pursuant to Section 10504.
- (9) An application for an assignment of a state-filed application pursuant to Section 10504.
- (10) A statement of water diversion and use pursuant to Part 5.1 (commencing with Section 5100) that reports that water was used for cannabis cultivation.

(c) The board shall set the fee schedule authorized by this section so that the total amount of fees collected pursuant to this section equals that amount necessary to recover costs incurred in connection with the issuance, administration, review, monitoring, and enforcement of permits, licenses, certificates, and registrations to appropriate water, water leases, statements of water diversion and use, and orders approving changes in point of discharge, place of use, or purpose of use of treated wastewater. The board may include, as recoverable costs, but is not limited to including, the costs incurred in reviewing applications, registrations, statements of water diversion and use, petitions and requests, prescribing terms of permits, licenses, registrations, and change orders, enforcing and evaluating compliance with permits, licenses, certificates, registrations, change orders, and water leases, inspection, monitoring, planning, modeling, reviewing documents prepared for the purpose of regulating the diversion and use of water, applying and enforcing the prohibition set forth in Section 1052 against the unauthorized diversion or use of water subject to this division, and the water diversion related provisions of Article 6 (commencing with Section 19331) of Chapter 3.5 of Division 8 of the Business and Professions Code, and the administrative costs incurred in connection with carrying out these actions.

(d) (1) The board shall adopt the schedule of fees authorized under this section as emergency regulations in accordance with Section 1530.

(2) For filings subject to subdivision (b), the schedule may provide for a single filing fee or for an initial filing fee followed by an annual fee, as appropriate to the type of filing involved, and may include supplemental fees for filings that have already been made but have not yet been acted upon by the board at the time the schedule of fees takes effect.

(3) The board shall set the amount of total revenue collected each year through the fees authorized by this section at an amount equal to the amounts appropriated by the Legislature for expenditure for support of water rights program activities from the Water Rights Fund established under Section 1550, taking into account the reserves in the Water Rights Fund. The board shall review and revise the fees each fiscal year as necessary to conform with the amounts appropriated. If the board determines that the revenue collected during the preceding year was greater than, or less than, the amounts appropriated, the board may further adjust the annual fees to compensate for the over or under collection of revenue.

(e) Annual fees imposed pursuant to this section for the 2003–04 fiscal year shall be assessed for the entire 2003–04 fiscal year.

Section 1535 of the Water Code is amended to read:

1535. (a) Any fee subject to this chapter that is required in connection with the filing of an application, registration, request, statement, or proof of claim, other than an annual fee required after the period covered by the initial filing fee, shall be paid to the board.

(b) If a fee established under subdivision (b) of Section 1525, Section 1528, or Section 13160.1 is not paid when due, the board may cancel the application, registration, petition, request, statement, or claim, or may refer the matter to the State Board of Equalization for collection of the unpaid fee.

Section 1550 of the Water Code is amended to read:

1550. Except as provided in subdivision (e) of Section 1058.5, moneys in the Water Rights Fund are available for expenditure, upon appropriation by the Legislature, for the following purposes:

(a) For expenditure by the State Board of Equalization in the administration of this chapter and the Fee Collection Procedures Law (Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code) in connection with any fee or expense subject to this chapter.

(b) For the payment of refunds, pursuant to Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code, of fees or expenses collected pursuant to this chapter.

(c) For expenditure by the board for the purposes of carrying out this division, Division 1 (commencing with Section 100), Part 2 (commencing with Section 10500) and Chapter 11 (commencing with Section 10735) of Part 2.74 of Division 6, ~~and~~ Article 7 (commencing with Section 13550) of Chapter 7 of Division ~~7~~ 7, and the water diversion related provisions of Article 6 (commencing with Section 19331) of Chapter 3.5 of Division 8 of the Business and Professions Code.

(d) For expenditures by the board for the purposes of carrying out Sections 13160 and 13160.1 in connection with activities involving hydroelectric power projects subject to licensing by the Federal Energy Regulatory Commission.

(e) For expenditures by the board for the purposes of carrying out Sections 13140 and 13170 in connection with plans and policies that address the diversion or use of water.

Section 1831 of the Water Code is amended to read:

1831. (a) When the board determines that any person is violating, or threatening to violate, any requirement described in subdivision (d), the board may issue an order to that person to cease and desist from that violation.

(b) The cease and desist order shall require that person to comply forthwith or in accordance with a time schedule set by the board.

(c) The board may issue a cease and desist order only after notice and an opportunity for hearing pursuant to Section 1834.

(d) The board may issue a cease and desist order in response to a violation or threatened violation of any of the following:

(1) The prohibition set forth in Section 1052 against the unauthorized diversion or use of water subject to this division.

(2) Any term or condition of a permit, license, certification, or registration issued under this division.

(3) Any decision or order of the board issued under this part, Section 275, Chapter 11 (commencing with Section 10735) of Part 2.74 of Division 6, or Article 7 (commencing with Section 13550) of Chapter 7 of Division 7, in which decision or order the person to whom the cease and desist order will be issued, or a predecessor in interest to that person, was named as a party directly affected by the decision or order.

(4) A regulation adopted under Section 1058.5.

(5) Any extraction restriction, limitation, order, or regulation adopted or issued under Chapter 11 (commencing with Section 10735) of Part 2.74 of Division 6.

(6) Diversion or use of water for cannabis cultivation if any of the following applies:

(A) A license is required, but has not been obtained, under Article 6 (commencing with Section 19331) of Chapter 3.5 of Division 8 of the Business and Professions Code.

(B) The diversion is not in compliance with an applicable limitation or requirement established by the board or the Department of Fish and Wildlife under subdivision (e) of Section 19332 of the Business and Professions Code.

(C) The diversion or use is not in compliance with a requirement imposed under subdivision (d) or (e) of Section 19332.2 of the Business and Professions Code.

(e) This article does not alter the regulatory authority of the board under other provisions of law.
~~authorize the board to regulate in any manner, the diversion or use of water not otherwise subject to regulation of the board under this part.~~

Section 1840 of the Water Code is amended to read:

1840. (a) (1) Except as provided in subdivision (b), a person who, on or after January 1, 2016, diverts 10 acre-feet of water per year or more under a permit or license shall install and maintain a device or employ a method capable of measuring the rate of direct diversion, rate of collection to storage, and rate of withdrawal or release from storage. The measurements shall be made using the best available technologies and best professional practices, as defined in Section 5100, using a device or methods satisfactory to the board, as follows:

(A) A device shall be capable of continuous monitoring of the rate and quantity of water diverted and shall be properly maintained. The permittee or licensee shall provide the board with evidence that the device has been installed with the first report submitted after installation of the device. The permittee or licensee shall provide the board with evidence demonstrating that the device is functioning properly as part of the reports submitted at five-year intervals after the report documenting installation of the device, or upon request of the board.

(B) In developing regulations pursuant to Section 1841, the board shall consider devices and methods that provide accurate measurement of the total amount diverted and the rate of diversion. The board shall consider devices and methods that provide accurate measurements within an acceptable range of error, including the following:

- (i) Electricity records dedicated to a pump and recent pump test.
- (ii) Staff gage calibrated with an acceptable streamflow rating curve.
- (iii) Staff gage calibrated for a flume or weir.
- (iv) Staff gage calibrated with an acceptable storage capacity curve.
- (v) Pressure transducer and acceptable storage capacity curve.

(2) The permittee or licensee shall maintain a record of all diversion monitoring that includes the date, time, and diversion rate at time intervals of one hour or less, and the total amount of water diverted. These records shall be included with reports submitted under the permit or license, as required under subdivision (c), or upon request of the board.

(b) (1) The board may modify the requirements of subdivision (a) upon finding either of the following:

(A) That strict compliance is infeasible, is unreasonably expensive, would unreasonably affect public trust uses, or would result in the waste or unreasonable use of water.

(B) That the need for monitoring and reporting is adequately addressed by other conditions of the permit or license.

(2) The board may increase the 10-acre-foot reporting threshold of subdivision (a) in a watershed or subwatershed, after considering the diversion reporting threshold in relation to quantity of water within the watershed or subwatershed. The board may increase the 10-acre-foot reporting threshold to 25 acre-feet or above if it finds that the benefits of the additional information within the watershed or subwatershed are substantially outweighed by the cost of installing measuring devices or employing methods for measurement for diversions at the 10-acre-foot threshold.

(c) At least annually, a person who diverts water under a registration, permit, or license shall report to the board the following information:

(1) The quantity of water diverted by month.

(2) The maximum rate of diversion by months in the preceding calendar year.

(3) The information required by subdivision (a), if applicable.

(4) The amount of water used, if any, for cannabis cultivation.

(d) Compliance with the applicable requirements of this section is a condition of every registration, permit, or license.

Section 1845 of the Water Code is amended to read:

1845. (a) Upon the failure of any person to comply with a cease and desist order issued by the board pursuant to this chapter, the Attorney General, upon the request of the board, shall petition the superior court for the issuance of prohibitory or mandatory injunctive relief as appropriate, including a temporary restraining order, preliminary injunction, or permanent injunction.

(b) (1) A person or entity who violates a cease and desist order issued pursuant to this chapter may be liable in an amount not to exceed the following:

(A) If the violation occurs in a critically dry year immediately preceded by two or more consecutive below normal, dry, or critically dry years or during a period for which the Governor has issued a proclamation of a state of emergency under the California Emergency Services Act (Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code) based on drought conditions, ten thousand dollars (\$10,000) for each day in which the violation occurs.

(B) If the violation is not described by subparagraph (A), one thousand dollars (\$1,000) for each day in which the violation occurs.

(2) Civil liability may be imposed by the superior court. The Attorney General, upon the request of the board, shall petition the superior court to impose, assess, and recover those sums.

(3) Civil liability may be imposed administratively by the board pursuant to Section 1055.

~~—(c) In determining the appropriate amount, the court, or the board, as the case may be, shall take into consideration all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, and the corrective action, if any, taken by the violator.~~

~~(d) All funds recovered pursuant to this section shall be deposited in the Water Rights Fund established pursuant to Section 1550.~~

Section 1846 of the Water Code is amended to read:

1846. (a) A person or entity may be liable for a violation of any of the following in an amount not to exceed five hundred dollars (\$500) for each day in which the violation occurs:

(1) A term or condition of a permit, license, certificate, or registration issued under this division.

(2) A regulation or order adopted by the board.

(b) Civil liability may be imposed by the superior court. The Attorney General, upon the request of the board, shall petition the superior court to impose, assess, and recover those sums.

(c) Civil liability may be imposed administratively by the board pursuant to Section 1055.

~~—(d) In determining the appropriate amount of civil liability, the court, pursuant to subdivision (b), or the board, pursuant to subdivision (e), may take into consideration all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, and the corrective action, if any, taken by the violator.~~
~~—(e) No liability shall be recoverable under this section for any violation for which liability is recovered under Section 1052.~~
~~—(f) All funds recovered pursuant to this section shall be deposited in the Water Rights Fund established pursuant to Section 1550.~~

Section 1847 is added to the Water Code to read:

1847 (a) A person or entity may be liable for a violation of any of the requirements of subdivision (b) in an amount not to exceed the sum of the following:

(1) Five hundred dollars (\$500), plus two hundred fifty dollars (\$250) for each additional day on which the violation continues if the person fails to correct the violation within 30 days after the board has called the violation to the attention of that person.

(2) Two thousand five hundred dollars (\$2500) for each acre foot of water diverted or used in violation of the applicable requirement.

(b) Liability may be imposed for any of the following violations:

(1) Violation of a limitation or requirement established by the board or the Department of Fish and Wildlife under subdivision (e) of Section 19332 of the Business and Professions Code.

(2) Failure to submit information, or making a material misstatement in information submitted, under subdivision (a), (b), or (c) of Section 19332.2 of the Business and Professions Code.

(3) Violation of any requirement imposed under subdivision (e) of Section 19332.2 of the Business and Professions Code.

(4) Diversion or use of water for cannabis cultivation for which a license is required, but has not been obtained, under Article 6 (commencing with Section 19331) of Chapter 3.5 of Division 8 of the Business and Professions Code.

(c) Civil liability may be imposed by the superior court. The Attorney General, upon the request of the board, shall petition the superior court to impose, assess, and recover those sums.

(d) Civil liability may be imposed administratively by the board pursuant to Section 1055.

Section 1848 is added to the Water Code to read:

1848. (a) Except as provided in subdivisions (b) and (c), remedies under this chapter are in addition to, and does not supersede or limit, any other remedy, civil or criminal.

(b) Civil liability may not be imposed both administratively and by the superior court for the same violation.

(c) No liability shall be recoverable under Section 1846 or 1847 for a violation for which liability is recovered under Section 1052.

(d) In determining the appropriate amount, the court, or the board, as the case may be, shall take into consideration all relevant circumstances, including, but not limited to, the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, and the corrective action, if any, taken by the violator.

(e) All funds recovered pursuant to this article shall be deposited in the Water Rights Fund established pursuant to Section 1550.

Section 5103 of the Water Code is amended to read:

5103. Each statement shall be prepared on a form provided by the board. The statement shall include all of the following information:

(a) The name and address of the person who diverted water and of the person filing the statement.

(b) The name of the stream or other source from which water was diverted, and the name of the next major stream or other body of water to which the source is tributary.

(c) The place of diversion. The location of the diversion works shall be depicted on a specific United States Geological Survey topographic map, or shall be identified using the California Coordinate System, or latitude and longitude measurements. If assigned, the public land description to the nearest 40-acre subdivision and the assessor's parcel number shall also be provided.

(d) The capacity of the diversion works and of the storage reservoir, if any, and the months in which water was used during the preceding calendar year.

(e) (1) (A) At least monthly records of water diversions. The measurements of the diversion shall be made in accordance with Section 1840.

(B) (i) On and after July 1, 2016, the measurement of a diversion of 10 acre-feet or more per year shall comply with regulations adopted by the board pursuant to Article 3 (commencing with Section 1840) of Chapter 12 of Part 2.

(ii) The requirement of clause (i) is extended to January 1, 2017, for any statement filer that enters into a voluntary agreement that is acceptable to the board to reduce the statement filer's diversions during the 2015 irrigation season.

(2) (A) The terms of, and eligibility for, any grant or loan awarded or administered by the department, the board, or the California Bay-Delta Authority on behalf of a person that is subject to paragraph (1) shall be conditioned on compliance with that paragraph.

(B) Notwithstanding subparagraph (A), the board may determine that a person is eligible for a grant or loan even though the person is not complying with paragraph (1), if both of the following apply:

(i) The board determines that the grant or loan will assist the grantee or loan recipient in complying with paragraph (1).

(ii) The person has submitted to the board a one-year schedule for complying with paragraph (1).

(C) It is the intent of the Legislature that the requirements of this subdivision shall complement and not affect the scope of authority granted to the board by provisions of law other than this article.

(f) (1) The purpose of use.

(2) The amount of water used, if any, for cannabis cultivation.

(g) A general description of the area in which the water was used. The location of the place of use shall be depicted on a specific United States Geological Survey topographic map and on any other maps with identifiable landmarks. If assigned, the public land description to the nearest 40-acre subdivision and the assessor's parcel number shall also be provided.

(h) The year in which the diversion was commenced as near as is known.

Delete Section 31020 of the Revenue and Taxation Code:

31020.

~~The board, in consultation with the Department of Food and Agriculture, shall adopt a system for reporting the movement of commercial cannabis and cannabis products throughout the distribution chain. The system shall not be duplicative of the electronic database administered by the Department of Food and Agriculture specified in Section 19335 of the Business and Professions Code. The system shall also employ secure packaging and be capable of providing information to the board. This system shall capture, at a minimum, all of the following:~~

~~(a) The amount of tax due by the designated entity.~~

~~(b) The name, address, and license number of the designated entity that remitted the tax.~~

~~(c) The name, address, and license number of the succeeding entity receiving the product.~~

~~(d) The transaction date.~~

~~(e) Any other information deemed necessary by the board for the taxation and regulation of marijuana and marijuana products.~~

Section 37104 of the Food and Agricultural Code is added to read:

Notwithstanding Business and Professions Code Section 19300.5, butter purchased from a licensed milk product plant or retail location which is subsequently infused or mixed with medical marijuana at a

premise or location is not subject to licensing as a milk product plant, is exempt from the provisions of this division.

Section 52452 of the Food and Agricultural Code is amended to read:

52452. (a) Except as otherwise provided in Section 52454, each container of agricultural seed that is for sale or sold within this state for sowing purposes, ~~unless the sale is an occasional sale of seed grain by the producer of the seed grain to his or her neighbor for use by the purchaser within the county of production,~~ shall bear upon it or have attached to it in a conspicuous place a plainly written or printed label or tag in the English language that includes all of the following information:

(1) The commonly accepted name of the kind, kind and variety, or kind and type of each agricultural seed component in excess of 5 percent of the whole, and the percentage by weight of each. If the aggregate of agricultural seed components, each present in an amount not exceeding 5 percent of the whole, exceeds 10 percent of the whole, each component in excess of 1 percent of the whole shall be named together with the percentage by weight of each. If more than one component is required to be named, the names of all components shall be shown in letters of the same type and size.

(2) The lot number or other lot identification.

(3) The percentage by weight of all weed seeds.

(4) The name and approximate number of each kind of restricted noxious weed seed per pound.

(5) The percentage by weight of any agricultural seed except that which is required to be named on the label.

(6) The percentage by weight of inert matter. If a percentage by weight is required to be shown by any provision of this section, that percentage shall be exclusive of any substance that is added to the seed as a coating and shown on the label as such.

(7) For each agricultural seed in excess of 5 percent of the whole, stated in accordance with paragraph (1), the percentage of germination exclusive of hard seed, the percentage of hard seed, if present, and the calendar month and year the test was completed to determine the percentages. Following the statement of those percentages, the additional statement "total germination and hard seed" may be stated.

(8) The name and address of the person who labeled the seed or of the person who sells the seed within this state.

(b) Section (a) does not apply in the following instances:

(1) The sale is an occasional sale of seed grain by the producer of the seed grain to his or her neighbor for use by the purchaser within the county of production

(2) Any cannabis seed, as defined in Business and Professions Code Section 19300.5(f), sold or offer for sale in the State.

~~(b)~~ (c) All determinations of noxious weed seeds are subject to tolerances and methods of determination prescribed in the regulations that are adopted pursuant to this chapter.

~~(c)~~ (d) For purposes of this section, "neighbor" means a person who lives in close proximity, not to exceed three miles, to another.

Section XXXX:

One of the two identical articles enacted as Article 6 (commencing with Section 19331) of Chapter 3.5 of Division 8 of the Business and Professions Code (either art. 6 (commencing with Section 19331) as added by Stats. 2015, ch. 688, § 1 or art. 6 (commencing with Section 19331) as added by Stats. 2015, ch. 719, § 13) is repealed.